

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MAY 24, 2016

Executive Director Hedinger 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)
Robert Slater, Commissioner (by phone)
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Christin Deacon, Deputy Attorney General
Mike Collins, Governor's Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Foster Krupa, Northstar
Bryce Rudolph, Widewaters 360
Chris Havard, Ferrara
Jon Renner, Brushfire
Dustin Racioppi, The Record

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judith Drucker
Frances Edwards
Janetta Foy
Karen Kokoll
Megan Mazzoni
Charlene Mello
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
Melissa Williams

After the Pledge of Allegiance, Executive Director Hedinger 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.

Executive Director Hedinger requested a motion to approve the minutes of the April 26, 2016 Commission Meeting. Commissioner Slater made the motion, which was seconded by Vice Chairman Toscano. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that April was another good month as far as sales were concerned. Sales for April '16 were 8% more than April '15 and we are right on target for the budget for the current year. Our year-to-date sales are 9.5% above last year and 3% above budget. The year is very successful.

Executive Director Hedinger noted that the jackpot games, which show a very large increase in April due to the rolling jackpot for the Powerball game, are up year over year. Overall, total jackpot games are up 13% over the prior year. Surprisingly, as much as they have grown, they haven't come back to the levels they were in FY14. We certainly see an upward trend which is good news. We feel very optimistic about how this fiscal year will conclude.

Executive Director Hedinger reported that FY16 profit from lotto games is \$176.4 million representing 40% profit. The profit from daily games is \$301 million representing 39.5% profit. The profit from instant games is \$315 million or almost 21% profit. Our net revenue so far is 30.03%, additional forfeited prizes will be adjusted after the final audits are completed at year end and will be added to our transfer.

Executive Director Hedinger stated that receipts and deposits for the month were \$275.3 million.

Executive Director Hedinger noted that there were 87 electronic fund transfer (EFT) failures totaling \$279.4 thousand. The Accounts Receivables Unit settled or closed 80% of EFT failures from March. Field Account Adjusters visited 383 retailers which resulted in the collection of \$214.2 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of the April was \$3.5 million. The total amount of bad debt reserve is \$3.6 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for April were over \$20 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$164 million.

Executive Director Hedinger reported that the three top selling non-core games for April were "\$5,000,000 Cash Extravaganza," "10k Blowout" and "50x The Cash."

Executive Director Hedinger noted that the total sales for the Core and Family Games for the month were over \$86 million.

Executive Director Hedinger stated that the three new instant games that were introduced in April were "Instant Bingo," "Shimmering 7s" and "10k Blowout." Those games made up \$19 million in sales.

Executive Director Hedinger reported that we had instant game advertising activities promoting the "10k Blowout" by radio commercials, out of home, digital and mobile ads and point of sale material. "Rapid Refund" was also promoted by social media and at point of sale.

Executive Director Hedinger noted that we ran newspaper coupons in April for Jersey Cash 5. The coupon was for a free Jersey Cash 5 or CASH4LIFE ticket with purchase in order to attract light and lapsed players. It was very successful.

Executive Director Hedinger stated that we introduced two new Fast Play games in April. There are a total of sixteen Fast Play games available.

Executive Director Hedinger reported that we had a few high tier winners in April. We had back to back Powerball \$1 million winners with one on April 9 in Verona and one on April 13 in Hammonton. We also had back to back \$1 million Mega Millions winners on April 19 in Maple Shade and April 22 in Springfield. It was a lucky month for our players.

Executive Director Hedinger noted that our social media continues to be very active.

Executive Director Hedinger stated that we live streamed our press conference for our Powerball winner. So far that one live stream has had over 37,500 views, which is astounding.

Executive Director Hedinger noted that the most watched 2016 YouTube videos in April were "New Jersey All Cash Millions," "New Jersey Lottery Million Dollar Replay" and "New Jersey Lottery Powerball Fever!" There was Powerball Fever going on in New Jersey in April. Through April, our total lifetime views of videos on our YouTube channel was over 362,000.

Executive Director Hedinger reported that in our Lottery Consumer and Retailer Websites Support, we responded to 200 email requests received from the members of the VIP Club.

Executive Director Hedinger stated our website had over one million visitors for the month. The average number of users per day was over 100,000. They usually visit two pages lasting over two minutes.

Executive Director Hedinger noted that the VIP Club increased its membership with 3,624 new registrations during the month of April. We now have almost 358,000 active members.

Executive Director Hedinger stated that all drawings for the month of April were completed with no abnormalities.

Executive Director Hedinger reported that all of our pools were closed according to procedures with no abnormalities.

Executive Director Hedinger noted that our Public Information office received and responded to 147 emails and 150 phone calls that were received in April.

Executive Director Hedinger stated that we issued all of our winner press releases during the month. We push winner awareness through our social media and our press releases. All of our press releases regarding winners are sent to Northstar to be posted to our social media. We know that the more people that are aware of winners and where they are, the more exciting and fun it is for Lottery players.

Executive Director Hedinger reported that our top reactive social media posts in April were the Jersey Cash 5 Winner story on April 10 and another on April 26.

Executive Director Hedinger noted that we continue to monitor any proposed legislation that may have an impact on Lottery and respond as we are requested.

Executive Director Hedinger stated that we continue our work on our Responsible Play Program. That is moving along very well. Our application for Level 4 World Lottery Association certification is well in hand. We have reached out to a premier review group, who will review our application in June and advise us as to any additions, corrections or modifications we need to make in order to have the application ready for October submission.

Executive Director Hedinger reported that there were a great number of Speaker's Bureau Events held in April and a large number scheduled for May.

Executive Director Hedinger stated that there were a number of Promotional Events that were held in stores throughout the state in April. We attended the Atlantic City Beer Festival and the Allaire BBQ & Brew Festival. There are a number of Promotional Events planned in May. On May 28 we will be at the Elizabeth Waterfront Festival and at the Jersey Shore Food Truck Festival at Monmouth Park Racetrack. There was also a 7-Eleven Winner Awareness Event in Verona.

Executive Director Hedinger noted that there were 162 security investigations initiated during the month.

Executive Director Hedinger reported that 167 random field inspections were conducted at retailer locations.

Executive Director Hedinger stated that the Licensing staff received and processed 101 applications and 80 licenses were issued.

Executive Director Hedinger noted that there are 7,824 licenses issued at the end of April.

Executive Director Hedinger reported that we collected a total of \$15,185.99 for the month of April through our efforts with the Division of Taxation. We have collected almost \$43 thousand for FY16.

Executive Director Hedinger stated that the IMS unit is upgrading our Active Directory. They are also installing a new service pack for our Epicor system, which is our main back office system. There have been new firewalls ordered to upgrade the current ones here and at our back up site.

Executive Director Hedinger noted that we are working to identify any electrical outlets at BCS which are not connected to our Uninterrupted Power Source. In the case of a power failure, anything plugged in to an outlet would have power.

Executive Director Hedinger reported that the Validation staff received and sorted 4,994 claim forms during the month of April with an additional 324 walk-in claims. They entered 5,651 claims into the system and 5,860 were edited. During the month, 5,656 claims totaling over \$24 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 32 Social Security number matches in April. Twenty-eight claims were processed and garnished because of current and previous matches. Eleven claims were released from previous matches.

Executive Director Hedinger noted that since inception in 1992, the New Jersey Lottery has collected over \$7.5 million for various set off programs.

Executive Director Hedinger reported that the Retailer/Call Center Services Unit handled 4,065 incoming calls during the month. They made 75 outgoing calls to retailers. They handled 207 requests for assistance with instant ticket pack status changes. They handled 1,393 winner claim status calls during the month of April with 238 answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted over 4,619 deliveries of various kinds during the month.

Executive Director Hedinger noted that the Warehouse staff audited and confirmed game end instant ticket packs that were approved for destruction and were picked up in April for shredding. They continue to process game ends in a timely manner.

Executive Director Hedinger reported that the Facilities unit made sure the building was in good repair. We had a fire inspection from the Lawrence Township Fire Marshall, Fyr Fyter inspected all of our fire extinguishers and there have been seasonal adjustments to the HVAC system.

Executive Director Hedinger stated that this concludes the Director's Report.

Executive Director Hedinger asked if there were any questions or comments.

Chairman Ragazzo asked about the website statistics and a discussion was held.

Executive Director Hedinger reported that we will send the latest copy of Insights magazine to the Commissioners. The magazine's front page story is of our live stream event from the Million Dollar Replay drawing.

Executive Director Hedinger noted that we had the \$429.6 million Powerball winner in New Jersey. We held a press conference at headquarters that Chairman Ragazzo attended. That was a great family that won and we had a really great event. That is the first time we have live streamed a press event. Our ability to live stream is due to our Media Director, Michael DeCheser. He has figured out, in an extremely economical way, how to get us to the cutting edge technology that we now have.

Executive Director Hedinger stated that in April we had two weeks of instant sales that are in the top ten of all our instant sales. A year or more ago, our weekly instant sales would be in the upper \$20 million range and we would be happy if we broke \$30 million. We now consistently break \$30 million and we have broken \$40 million in instant game sales. We continue to see record breaking growth in those games.

Executive Director Hedinger reported that we received a Fleury award from LeFleur's. A Fleury award is for advertising and this is the first time the New Jersey Lottery has received an advertising award from LeFleur's. We were presented that award for our "Anything Can Happen in New Jersey" ad and Foster Krupa was in attendance at that conference representing Northstar. Since Foster Krupa was our Marketing Director for many years, it was appropriate that he was there to finally receive an award that he probably should have received many years ago. We will have that trophy on display next month.

Commissioner Slater congratulated the staff for their hard work done the last month and the last year. He stated that the staff is the unsung heroes and more people need to know about it. Vice Chairman Toscano agreed that the staff consistently makes everyone look good and they get very little accolades. He stated that he appreciates Commissioner Slater mentioning it. Executive Director Hedinger stated that she also appreciates it and will make a point of pointing out the good things that the staff does. She stated that we work across all units in order to get things accomplished. She thanked them for their comments.

Executive Director Hedinger requested a motion to approve the Director's Report. Treasurer Designee Cohen made the motion which was seconded by Vice Chairman Toscano.

NEW BUSINESS

Executive Director Hedinger 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.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Boardwalk Bucks." Commissioner Slater made the motion which was seconded by Treasurer Designee Cohen. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Pocket Change." Commissioner Slater made the motion which was seconded by Treasurer Designee Cohen. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Lucky Day." Commissioner Slater made the motion which was seconded by Treasurer Designee Cohen. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Bingo Bonus Square." Commissioner Slater made the motion which was seconded by Treasurer Designee Cohen. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

Dustin Racioppi from the Record asked for the dollar amount of year to date sales and what they were the prior year and what was budgeted. He also asked for the same information for the jackpot games. The information was provided.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Executive Director Hedinger 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 May 24, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 28th day of June, 2016.



Carole Hedinger
Executive Director