

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, APRIL 18, 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)
Matt Spadaccini, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Robert Kelly, DAG
Lisa LeBouf, Gov. Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
John Renner, Brushfire
Kara Schirmer, Ferrara

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Frances Edwards
Janetta Foy
Claudio Graziano
Kalliopi Kostis
Megan Mazzoni
Richard Pagnani
Debbie Raub
Mary Ann Rivell
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 March 28, 2017 Commission Meeting. Vice Chairman Toscano made the motion, which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments.

Commissioner Slater stated that the bad debt reserve is \$1 million below the receivable balance, which is quite a bit and it is usually closer. Executive Director Hedinger stated that he will see in this month's report that the gap between the bad debt reserve and the bad debt is very close. Chairman Ragazzo stated it is a timing issue and Executive Director Hedinger agreed.

Chairman Ragazzo asked if there were any other comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that the results for March were very similar to the prior March. Total sales were slightly higher overall. Our contribution for the month was over \$82 million. The year is continuing to look like another really good year.

Executive Director Hedinger noted that the profit from lotto games was running at about 40%, our profit from draw games is running at almost 40% and our profit from instant games about 21%. Overall, we are riding right slightly above the 30% net revenue figure.

Executive Director Hedinger reported that receipts and deposits for the month were over \$249.5 million.

Executive Director Hedinger noted that there were 75 electronic fund transfer (EFT) failures totaling \$294.9 thousand for the month. The Accounts Receivables Unit settled or closed 85% of EFT failures from February. Field Account Adjusters visited 436 retailers and collected over \$252 thousand.

Executive Director Hedinger reported that at the end of March the cumulative outstanding accounts receivable balance is \$3.7 million. The total amount of bad debt reserve is \$3.3 million.

Executive Director Hedinger stated that the balance for all unclaimed prizes is almost \$20 million at the end of March.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$141.8 million. There have been no changes in the S&P ratings since last month.

Executive Director Hedinger reported that the three top selling non-core games contributed \$36 million or 22% of sales for the month.

Executive Director Hedinger stated that the Core and Family Games contributed almost \$91 million or 56% of sales.

Executive Director Hedinger noted that the four new instant games we introduced in March contributed \$25.8 million and represented 16% of sales. Two new games were presented for Commission rule approval and subsequent vendor production.

Executive Director Hedinger reported that there was no instant game advertising during the month of March.

Executive Director Hedinger stated that in our Online Product activities, the 2nd Chance promotion for Powerball tickets concluded. This was a promotion where players were able to enter non-winning Powerball tickets for a chance to win a cruise. Almost 19,000 players registered for the promotion and entered nearly 300,000 Powerball tickets.

Executive Director Hedinger reported that we introduced two new Fast Play games in March and two were suspended. We currently have 25 Fast Play games available.

Executive Director Hedinger stated that there were a number of high-tier winners in March. Most of them came from Jersey Cash 5, which had some very nice jackpots during the month. This accounts for why Jersey Cash 5 remains such a healthy game. We also had a million dollar winner from the Mega Millions drawing.

Executive Director Hedinger reported that our social media continues to grow.

Executive Director Hedinger stated that our Lottery Consumer and Retailer Websites Support services responded to 438 email requests and inquiries from VIP Club members.

Executive Director Hedinger noted that the VIP Club increased its membership with 6,089 new registrations during the month. We now have 404,695 active members. Since the inception of the Million Dollar Replay game on April 4, 2011, 204,538 people have made entries. It has recorded over 50 million entries since inception.

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

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

Executive Director Hedinger noted that we have had extensive media mentions. There is an interesting statistic that just our media mentions alone have a value and in March that value was over \$145,000. If we had to pay for it, that is what it would have cost. The more our PR department gets news worthy items out, the more value we receive.

Executive Director Hedinger reported that there were many press release issued during the month.

Executive Director Hedinger stated that as far as our On-line Winner Awareness Content is concerned, we continue to provide Northstar's Social Media team with information about our winners that they post to our website and all the appropriate social media.

Executive Director Hedinger stated that we continue to monitor Federal, New Jersey State and other states' legislative websites to see what may affect us.

Executive Director Hedinger reported that in our Responsible Play Program, we held our annual press conference in the beginning of March at Lottery Headquarters to highlight Problem Gambling Awareness Month.

Executive Director Hedinger stated that there were a few Speaker's Bureau Events completed in March and there are several scheduled for April.

Executive Director Hedinger noted that there were a large number of Public Promotional Events completed in March throughout the State and there are a larger number of events scheduled for April.

Executive Director Hedinger reported that there were 216 security investigations initiated during the month.

Executive Director Hedinger stated that 197 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing staff received and processed 76 applications and 71 licenses were issued.

Executive Director Hedinger reported that at the end of March, there were 7,918 licenses issued.

Executive Director Hedinger reported that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$2,124.52 in arrearages collected.

Executive Director Hedinger stated that our IMS department continued to make sure our data is safe and backed up. We are now backing up our own SQL databases in parallel to the backup that is being down by the Office of Information Technology (OIT). It never hurts to have backups to backups. Our in house backups only allow for three days of storage, but it is a quick restore if we had to restore something from the previous days.

Executive Director Hedinger noted that we continue to drill at the back up site to make sure that we can conduct our business there in case of an emergency. Each time we do a drill, if there have been bugs in the system, these drills allow us to address those issues and rectify them. A back up site is only good if it is regularly used and tested. We plan quarterly drills to make sure that we stay on top of any little software changes or updates that need to be completed. We had an issue in our drill in March and we were quickly able to get it resolved and conduct our business out there. It helps us gain confidence in our ability to pick ourselves up, go out there and conduct all of our business if we need to.

Executive Director Hedinger reported that the Validations staff received and sorted 5,669 claim forms during the month of March with an additional 473 walk-in claims. They entered 5,905 claims into the system and 7,422 were edited. During the month, 6,572 claims totaling over \$28 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 40 Social Security number matches in March. Twenty-two claims were processed and garnished because of current and previous matches. Eight of the garnishments went to satisfy child support arrearages, eight were for public assistance and six were for student loan payments. Eleven claims were released from previous matches. Since inception, we have collected more than \$7.8 million in arrearages.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 7,702 incoming calls during the month. They made 65 outgoing calls to retailers. There were 133 requests for assistance with instant pack status changes. They handled 3,228 winner claim status calls during the month of March with 264 answered at the front desk.

Executive Director Hedinger stated that the Warehouse and Facilities departments operated optimally. We had our annual fire inspection during the month and the building passed all requirements.

Executive Director Hedinger noted that in Northstar activities, in early March we attended a ribbon cutting ceremony at the Vineland Veterans home for a common room that was refurbished by Northstar as part of their corporate social responsibility program. It was a great event to see. The three Veterans homes that we have been involved with are fantastic facilities and are very well run. They have common areas that get a lot of use, but not always a lot of attention. To take one of those areas and turn it into an oasis for those Veterans that live there was really a wonderful thing to see. The other two Veterans homes will be experiencing a similar refurbishment of a common area for their residents.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo asked about the three Veterans homes and a discussion was held.

Chairman Ragazzo asked about the 7-11 Co-Op Promotion "Buy \$10 Powerball get a Free Slice of Pizza" 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 Treasurer Designee Spadaccini.

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.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Double Match," "Power Play @ Crossword," "Super Casino" and "\$500,000 Riches." 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 amended game rules for "Classic Keno" (adopted 2005) now to be known as "Quick Draw." 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.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

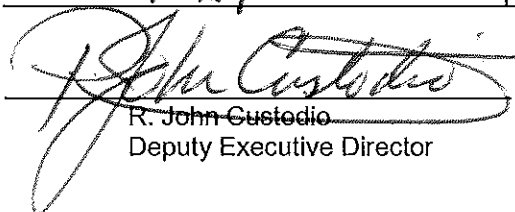
ADJOURNMENT

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 April 18, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 23RD day of MAY, 2017.


R. John Custodio
Deputy Executive Director