

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, APRIL 26, 2016

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

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Christin Deacon, Deputy Attorney General
Christopher Howard, Governor's Auth. Unit

VISITORS

Russ Knapp, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Foster Krupa, Northstar

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Frances Edwards
Janetta Foy
Karen Kokoll
Megan Mazzoni
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
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 22, 2016 Commission Meeting. 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.

DIRECTOR'S REPORT

Executive Director Hedinger stated that for the first nine months of our fiscal year, we are ahead of budget, ahead of last year and our contribution is ahead of budget. We have transferred to the State Treasury almost \$52 million more through the end of March than we had the year prior. For the first nine months of this year, six of those have been the highest sales months since 2010. The months that were not the highest, were second highest. The cumulative total is very good. There is always a chance that the current Powerball roll, which is now at \$282 million, will keep rolling and bring in some extra revenue. We are well on our way to having a successful year.

Executive Director Hedinger noted that jackpot sales for the first nine months of this year are almost 12% higher than last year and we are 15% ahead of budget. However, they are almost \$40 million under where they were in FY14, which is the year the jackpot games started to decline. Although the games total sales are coming back, especially due to the \$1.5 billion jackpot, they are still not back up to the high levels that we had in the past.

Executive Director Hedinger reported that our profit from lotto games this year is about \$162 million, or 40% of our profit. The profit from daily games is about \$271.3 million, or almost 40%. The profit from instant games is \$282, they represent close to 21%.

Executive Director Hedinger stated that total contributions for the year so far are running at 30.25%. Where we were trailing slightly below the 30% threshold, we have now crossed the threshold to be above 30%. At the end of the year, the total available unclaimed prize money that can be contributed will be added to what we turn over to the Treasury.

Executive Director Hedinger reported that receipts and deposits for the month were \$187 million.

Executive Director Hedinger noted that there were 122 electronic fund transfer (EFT) failures totaling almost \$389 thousand. The Accounts Receivables Unit settled or closed 80% of EFT failures from February. Field Account Adjusters visited 441 retailers which resulted in the collection of almost \$382 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of the month was \$3.5 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for March were a little over \$18 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$165.2 million.

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

Executive Director Hedinger noted that the total sales for the Core and Family Games for the month were over \$98 million. We have developed quite a collection of Core and Family games which are very popular.

Executive Director Hedinger stated that the five new instant games that were introduced in March were "Rapid Refund," "Spring Fling Tripler," "Super 7s Slingo," "Casino Royale" and "\$5,000,000 Cash Extravaganza."

Executive Director Hedinger reported that we had instant game advertising activities for the "Multiplier Family" with out of home advertising. The new March Instant Games were promoted by social media and at point of sale.

Executive Director Hedinger noted that in online activities, we ran a Jersey Collect 'N Win promotion. This was a second chance contest for Pick-3, Pick-4 and Jersey Cash 5 that ran for four weeks in March. Four of the top ten daily games sales weeks this fiscal year occurred in March, in part due to this promotion.

Executive Director Hedinger stated that we had a Jersey Cash 5 Drawing that resulted in an \$891,000 winner from New Providence. We also were lucky enough to have a \$1 million winner from the March 26 Powerball drawing.

Executive Director Hedinger reported that our social media continues to be very active. We have over 117,000 likes on our Facebook page.

Executive Director Hedinger stated the biggest fan reaction to a Facebook post in March was a Jersey Cash 5 winner's post.

Executive Director Hedinger noted that we gained 115 Twitter followers and 26 new Instagram followers in March.

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.

Executive Director Hedinger noted that the VIP Club increased its membership with 5,473 new registrations during the month of March. We now have over 354,000 active members.

Executive Director Hedinger reported since the inception of the Million Dollar Replay game, more than 180,000 people have registered.

Executive Director Hedinger stated that the Million Dollar Replay game has recorded over 39 million entries since its inception.

Executive Director Hedinger noted that all drawings for the month of March 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 135 emails and 172 phone calls.

Executive Director Hedinger stated that we updated our website to reflect the FY15 "Where the Money Goes." It's called the "Giving Back" section of the website. Once OMB gives us the list of how the money is distributed, we post it on our website.

Executive Director Hedinger noted that March was Problem Gambling Awareness Month. We held a press conference at Lottery Headquarters with Deputy Director Custodio and Executive Director Neva Pryor from the Council on Compulsive Gambling. Judy Drucker gave an interview to WGHT radio on Problem Gambling Awareness and all of things that we do for responsible gaming.

Executive Director Hedinger stated that Judy also successfully pitched a story to NASPL Insights magazine featuring the Lottery's use of Livestream technology. We are the only Lottery, and the first Lottery in the United States, to be able to do that kind of livestream event. We owe that to Michael DeCheser. It is remarkably inexpensive and modern. As far as production is concerned, we have led the way in the Lottery industry in livestreaming. We were the first to do it when we lost NJN as our television broadcaster. Even though we are back on television, we continue to use livestream. Now we can use it to be mobile and go out to an event and stream it out to our followers.

Executive Director Hedinger reported that there were a great number of press releases issued for Problem Gambling Awareness month and for winner awareness. We are concentrating on spreading the word in any way we can on winner awareness.

Executive Director Hedinger noted that we continue to monitor any proposed legislation that might affect the Lottery. Our staff has worked with a Treasury Legislative Liaison to come up with bill comments, position or recommend changes.

Executive Director Hedinger stated that as far as the Responsible Play Program is concerned, we are well into the writing of our Level 4 World Lottery Association application. We have put a lot of effort in to making sure that what is required to get highest level of certification is in our application. The application should be ready to submit in October.

Executive Director Hedinger reported that there were a great number of Speaker's Bureau Events held in March and a large number scheduled for April. We start our busy season now of spreading the word about the good works that we do at the Lottery.

Executive Director Hedinger stated that there were a number of Promotional Events that were held in March. There are a few in April, with one on April 30 at the Allaire BBQ & Brew Festival.

Executive Director Hedinger noted that there were 258 security investigations initiated during the month.

Executive Director Hedinger reported that 112 random field inspections were conducted.

Executive Director Hedinger stated that the Licensing staff received and processed 95 applications and 96 licenses were issued.

Executive Director Hedinger noted that there are 7,776 licenses issued at the end of March.

Executive Director Hedinger reported that we collected a total of \$4,493.23 for the month of March through our efforts with the Division of Taxation. We have collected almost \$28 thousand for FY16.

Executive Director Hedinger stated that in the IMS unit, the new uninterruptible power supply (UPS) was tested a second time in March when our power was interrupted and the generator kicked on and everything worked perfectly.

Executive Director Hedinger noted that the IMS staff has continued to test various other implementations that are taking place.

Executive Director Hedinger reported that we are upgrading our EPICOR system, which is our back office financial software.

Executive Director Hedinger noted that the Validation staff received and sorted 5,458 claim forms during the month of March with an additional 424 walk-in claims. They entered 5,921 claims into the system and 6,195 were edited. During the month, 7,042 claims totaling over \$38 million were paid to winners, including annuity payments.

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

Executive Director Hedinger reported that since inception in 1992, the New Jersey Lottery has collected \$7,506,994.45 for various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 4,759 incoming calls during the month. They made 78 outgoing calls to retailers. They handled 244 requests for assistance with instant ticket pack status changes.

Executive Director Hedinger stated that the Warehouse staff accepted a great number of deliveries.

Executive Director Hedinger noted that the Warehouse staff are processing game ends and packaging up those games for ultimate audit and destruction.

Executive Director Hedinger reported that the Facilities unit made sure the building was in good repair and that all inspections were made. They continue to work on the Legacy wall.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo asked about instant ticket sales differences between the \$20 and the \$30 games and a discussion was held.

Commissioner Slater asked about the amount of sales the vending machines earn 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

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 "Life is Good®." Commissioner Alvarez 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 instant ticket game rules for "\$150,000 Gold Rush." Commissioner Alvarez 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 instant ticket game rules for "Wheel of Fortune®." Commissioner Alvarez 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 on-line game rules for "FAST PLAY." The game for approval is "Champion's Coin." 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.

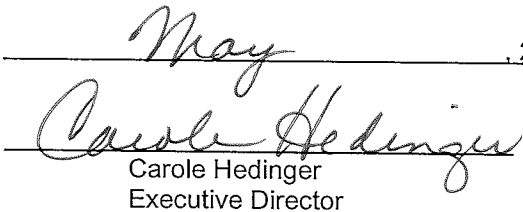
ADJOURNMENT

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 26, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 24th day of May, 2016.


Carole Hedinger
Executive Director