

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JULY 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 (by phone)
Robert Slater, 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
Tyler Yingling, Governor's Auth. Unit

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Lou Cleary, Northstar
Foster Krupa, Northstar
Chris Havard, Ferrara

STAFF

Regina Arcuri
Joyce Brown
Denise Coleman
Michael DeCheser
Frances Edwards
Karen Kokoll
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Richard Pagnani
Mary Ann Rivell
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 June 28, 2016 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

Executive Director Hedinger stated that we had an excellent year, with very good growth. Sales are more than 9.5% higher than the prior year.

Executive Director Hedinger noted that our final revenue transfer will not be determined until after our independent audit is completed. Even with our unaudited results, we have met our 30% mandate of net revenue. So far, we have transferred \$966.9 million and expect to exceed our projections this year.

Executive Director Hedinger reported that almost every game has shown growth, especially the daily games, which are very hard to grow. We have had tremendous growth in our instant tickets, as well.

Executive Director Hedinger stated that receipts and deposits for the month were \$229.3 million.

Executive Director Hedinger noted that there were 122 electronic fund transfer (EFT) failures totaling \$475 thousand for the month of May. The Accounts Receivables Unit settled or closed 53% of EFT failures from May.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of June was \$3.7 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 June were a little more than \$23 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$157.3 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 made up 20% of instant sales for June.

Executive Director Hedinger noted that the Core and Family Games for the month made up almost half of our instant sales.

Executive Director Hedinger stated that we introduced three new instant games in June and they made up 5% of sales.

Executive Director Hedinger reported that we advertised the "Life is Good®" game throughout June. "Life is Good®" has a second chance component where people can win "Life is Good®" gift cards and merchandise.

Executive Director Hedinger noted that in our Online Product Activities we advertised "CASH4LIFE" in June to pick up that game. That game needs to be refreshed periodically to bring it to people's minds that they have a chance to win \$1,000 a day for life or \$1,000 a week for life.

Executive Director Hedinger stated that we also advertised the Powerball and Mega Millions games with aerial banners flying over the Jersey shore. As of now, we have a very nice Powerball jackpot, which has rolled up to \$422 million for the next drawing. That is on the heels of an over \$400 million jackpot for Mega Millions last month. We are starting out the year with some nice jackpots.

Executive Director Hedinger reported that we had a few high tier winners in the month of June. We had three \$1 million prizes that were the result of either Mega Millions or Powerball games. And we had a \$650,000 "Jersey Cash 5" prize won in Monmouth County. If you look at those four high tier winners that we had in June, two are in North Jersey and two are in the South Jersey area.

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

Executive Director Hedinger reported that we exceeded our goal of VIP Club members for the year. Our goal was 357,111 and we ended with 364,819. We exceeded our goal by 7,708 members. We work hard to grow the VIP Club because that kind of engagement with our players is very important.

Executive Director Hedinger stated that all drawings for the month of June 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 stated that there were a great number of press releases issued in June. Winner awareness continues to be something we manage and use in our social media and press releases to let people know about the quantity of winners.

Executive Director Hedinger reported that we continue to monitor any proposed legislation that may be introduced. We are monitoring a courier bill that passed out of the Senate Committee. That bill would allow courier businesses to sell tickets to the public. We oppose this bill as we do not believe it is a good way to manage those kinds of sales. We are monitoring it very closely.

Executive Director Hedinger noted that our Responsible Play Program is preparing for a press conference in early August for the "Not 18 Yet? No Bet" campaign. We do this every August before school starts in conjunction with the Council on Compulsive Gambling to emphasize that lottery is not child's play. We do not believe that school children should get involved with that kind of gaming.

Executive Director Hedinger stated that there were a number of Speaker's Bureau Events held in June.

Executive Director Hedinger noted that there were a large number of Promotional Events that were completed June. There is even a larger number available in July. We are very active in getting out across the state for festivals and events in the summer months. This gives our retailers a boost and allows us to partner with civic organizations to support the Lottery.

Executive Director Hedinger reported that Erica Young will be singing the National Anthem at the Quick Chek Balloon Festival at the end of this month.

Executive Director Hedinger stated that there were 189 security investigations initiated during the month.

Executive Director Hedinger reported that 134 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing staff received and processed 109 applications and 41 licenses were issued.

Executive Director Hedinger stated that the IMS unit continued to get the Business Continuity Site completely ready. It is fully functional at this point. We had an orientation meeting in June with staff that are assigned to the BCS in case of an emergency. It is a completely independent back up site that does not rely on the same electrical grid that we use.

Executive Director Hedinger reported that we also installed our second ICS system (Internal Control System) at BCS. The ICS system balances daily sales against transactions that are recorded in the gaming system. That is vital to being balanced before every single draw. It was a big achievement and congratulations to our IT staff and all the other employees that were involved in getting that up and running. John Custodio was instrumental in managing that and it is finally achieved. Kudos to all involved.

Executive Director Hedinger stated that the Validation staff received and sorted 4,463 claim forms during the month of June with an additional 435 walk-in claims. They entered 5,070 claims into the system and 5,258 were edited. During the month, 5,862 claims totaling over \$26 million were paid to winners, including annuity payments.

Executive Director Hedinger noted that there were 26 Social Security number matches in June. Fourteen claims were processed and garnished because of current and previous matches. Six claims were released from previous matches.

Executive Director Hedinger reported that the Retailer/Call Center Services Unit handled 5,172 incoming calls during the month. They made 210 outgoing calls to retailers. They handled 1,522 winner claim status calls during the month of June with 131 answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted deliveries during the month. They continued to pack up and shelve games that ended.

Executive Director Hedinger reported that our Facilities Coordinator met with Treasury Lease Compliance, Nexus and Delta Janitorial Service to go over various janitorial issues we had. As a result, there was a slight change made to the cleaning schedule.

Executive Director Hedinger noted that the mechanical HVAC rooftop systems were adjusted for the summer season.

Executive Director Hedinger reported that the Facilities Coordinator assisted IMS with the pick-up, return and installation of items that were needed at BCS.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that it was a pretty impressive year.

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 "Holiday Luck," "\$20,000 Hollywood Cash Fantasy," "Bankroll Bingo" and "Extra Play." 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.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The games for approval are "Frosty \$50's," "Wild Card Poker" and "Fold & Win." 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.

Chairman Ragazzo requested a motion to approve an addendum to the General Rules governing the "Jersey Cash 5 Xtra" feature. Vice Chairman Toscano made the motion which was seconded by Commissioner Slater 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 July 26, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 23rd day of August, 2016.



Carole Hedinger
Executive Director