

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, NOVEMBER 21, 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
Robert Slater, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Matt Spadaccini, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
Robert E. Kelly, Deputy Attorney General
Tyler Yingling, Gov. Auth. Unit

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Lou Cleary, Northstar
Nicole Lobkowicz, Ferrara
Chris Havard, Ferrara

STAFF

Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Janetta Foy
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Steve Palmieri
Debbie Raub
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 October 24, 2017 Commission Meeting. Commissioner Slater made the motion, which was seconded by Treasurer Designee Spadaccini. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that the results through October are looking very good. We are ahead of last year by 3.5%. We are ahead of budget. We are ahead of budget on contribution.

Executive Director Hedinger noted that at the end of October we changed the Mega Millions game. We do not have early results yet but the jackpots for both Powerball and Mega Millions are slowly climbing. They both got hit shortly before that change. We should see some results of that change with improved sales of Mega Millions.

Executive Director Hedinger reported that in Fiscal Year 2018, we are contributing a 31.8% of revenue. We are staying ahead of our 30% mandate. If we have better jackpot game results, that will improve.

Executive Director Hedinger stated that receipts and deposits for the month were \$198.5 million.

Executive Director Hedinger noted that there were 97 electronic fund transfer (EFT) failures totaling \$288 thousand for the month. The Accounts Receivables Unit settled or closed 80% of EFT failures from September. Our Account Adjusters visited 337 retailers and collected \$173 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of October was \$3.7 million. The total of bad debt reserve is \$3.1 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve totaled \$15,407,696.

Executive Director Hedinger noted that the balance in the annuity investment accounts were \$133.4 million. The S&P ratings have not changed since last month.

Executive Director Hedinger reported that the three top selling non-core games for October were "\$200 Million Cash Bonanza," "\$5,000,000 Fortune" and "100X the Bucks." They contributed \$32.6 million or 21% of sales for the month.

Executive Director Hedinger stated that the Core and Family Games contributed \$74.3 million or 50% of total sales.

Executive Director Hedinger noted that four new instant games were introduced in October. They contributed \$17.1 million or 11% of total sales.

Executive Director Hedinger reported that there were four new games presented for Commission rule approval and subsequent vendor production.

Executive Director Hedinger stated that there was no instant game advertising during the month of October.

Executive Director Hedinger noted that there were changes made in the Mega Millions game. Each ticket now costs \$2. It has a new feature "Just the Jackpot," that for \$3, a player can get two plays for just the jackpot prize. Jackpots now start at \$40 million.

Executive Director Hedinger reported there are now nearly 500 retailers selling Quick Draw. We have been studying the results of our Quick Draw retailers to find out what are the best locations. The best location is a not a bar or tavern, which we thought it might be, but a breakfast place in Bricktown. We are learning from the locations that are already in existence what makes for a good Quick Draw retailer so that we can expand that network.

Executive Director Hedinger stated that the Jersey Collect 'N Win second chance promotion for draw game tickets continues. We have had four grand prize winners that have each won \$50,000. Over 20,000 players are registered for the promotion.

Executive Director Hedinger noted that there were two new Fast Play games added in October. Two were suspended so that we keep 25 games available.

Executive Director Hedinger reported that we had a number of high tier winners in October. Jersey Cash 5 XTRA had a \$160,000 winner. The October 7 Powerball drawing had two \$50,000 winners and on October 21 there was a Powerball winner of \$50,000 in Ocean County. There were a variety of other Jersey Cash 5 XTRA winners throughout the state. Jersey Cash 5 XTRA continues to grow in sales.

Executive Director Hedinger stated that our social media stats continue to be very healthy. We get a lot of exposure through our media.

Executive Director Hedinger noted that our website visitor summary is very consistent each month.

Executive Director Hedinger reported that the VIP Club increased its membership with 3,355 new registrations during the month. We now have 435,521 active members.

Executive Director Hedinger stated that since the inception of the Million Dollar Replay game, 229,001 people have made MDR entries.

Executive Director Hedinger noted that all drawings for the month of October 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 stated that the Public Information Office disseminated Lottery news in October that received almost 18 million daily views with an estimated advertising value of more than \$165 thousand.

Executive Director Hedinger noted that we are very active in disseminating public information through every media and get a lot of awareness due to the cleverness to the press releases that we put out.

Executive Director Hedinger reported that we worked on alerting the public of a recently discovered Mega Millions scam.

Executive Director Hedinger stated that we received a lot of press and had interviews with a winner, David Thomson. He went to a psychic who told him he would find love and money in his future. He found both. He won the lottery twice and he met a woman and got married.

Executive Director Hedinger reported that there were a number of top social media posts.

Executive Director Hedinger stated that we continue to monitor all of our Legislative activities. There is pending legislation that would ban having games that have drawings more than twice a day. That bill was proposed after we launched Quick Draw. It is obviously intended to keep us from doing anything other than midday and evening draws.

Executive Director Hedinger noted that we continue to work with the Council on Compulsive Gambling of New Jersey on our Responsible Play Program. We are planning our Holiday Gifting Campaign Event. That is an annual event that we hold at Lottery headquarters to publicize that Lottery is not child's play. We do not encourage gifting of lottery tickets to those who are not eligible to buy a lottery ticket.

Executive Director Hedinger reported that we continue to work with Treasury and Northstar representatives on developing an online Responsible Gaming training video for New Jersey Lottery employees. The state produces training modules that employees can take online for various topics. We are working with them to produce a Responsible Gaming module that we will disseminate to our Lottery employees. Then, hopefully, we'll enlarge that to all state employees so that they can all become aware of responsible gaming issues.

Executive Director Hedinger stated that there were a number of Speaker's Bureau Events completed in October and there are a number scheduled for November.

Executive Director Hedinger noted that there were a great many Public Promotional Events held in October and there a large number scheduled for November. Most of those events in November are promoting Quick Draw throughout the state. We are going to a lot of locations to educate people and get them interested in Quick Draw because it is a new game.

Executive Director Hedinger reported that there were 188 security investigations initiated during the month.

Executive Director Hedinger stated that 290 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing unit received and processed 129 applications and 105 licenses were issued.

Executive Director Hedinger reported that at the end of October, there were 8,260 licenses issued.

Executive Director Hedinger stated that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$42,801.66 in arrearages collected in October. Year to date, we have collected \$92,714.89.

Executive Director Hedinger noted that our IMS Unit got the badge system corrected at the BCS.

Executive Director Hedinger reported that we have been working with DORES to address MUSL's (Multi-State Lottery Association) security requirements. They do an assessment of lotteries that sell Powerball and come up with findings if there are any. We work with them to resolve those issues.

Executive Director Hedinger stated that our IMS Unit is working with Epicor, our Consultant, to create the new general ledger accounts for our transfer to Pension. Since we have been transferred to Pension, we have had to set up new books and accounts and a new general ledger to segregate and separate the transactions that occur in FY18 that belong to the State of New Jersey because they initiated before FY18 started or they belong to Pension because they have all been initiated since FY18 began on July 1. It is a complex undertaking because all transaction that have occurred since July 1 must be analyzed to see if they are the result of current sales or were initiated pre July 1. Rest assured, with the help of our Auditors, every dollar will be accounted for properly and allocated properly so there won't be any mix up.

Executive Director Hedinger noted that in Systems and Programming, staff set up these new companies and created reports. They troubleshoot issues that arose from the creation of new accounts. With anything new, there is a lot of testing and experimenting to get it all right.

Executive Director Hedinger reported that the Validations staff received and sorted 4,490 mailed-in claim forms during the month of October with an additional 449 walk-in claims. They entered 5,274 claims into the system and 4,371 were edited. During the month, 4,469 claims totaling more than \$15 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 22 Social Security number matches in October. There were three student loan defaults and no matches for low income home energy assistance. Twenty-five claims were processed and garnished because of current and previous matches totaling \$65,723.48. There were five released claims from previous matches. Since inception, we have collected more than \$8 million in arrearages.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 5,573 incoming calls during the month. There were 48 outgoing call made, including new retailer welcoming calls and calls to congratulate Retailers selling top prizes. There were 162 requests for assistance with instant pack status changes. They also handled 2,208 winner claim status calls during the month of October of which 261 were answered at the front desk.

Executive Director Hedinger reported that the Warehouse unit received 5,460 packages during the month. They received over 212 full packs of instant tickets from retailers. The warehouse looks very good. It has never looked better.

Executive Director Hedinger stated that the Facilities unit works with Nexus to ensure that everything in the building was kept in good working order. They also worked with IGT to install the Quick Draw monitors in the lobby and in the Commission room. We can see all the Quick Draw games as they occur during the day.

Executive Director Hedinger noted that Northstar's employee count is at 138, with 101 in Sales, 20 in Marketing and 17 in Administration. The total number of active retailers at the end of the month was 7,227.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo asked how the actual dollar amount that is transferred to the Pension fund is determined.

Executive Director Hedinger stated that we determine the amount through our analysis of the transactions that have occurred since July 1. We determine whether those revenues that we have collected belong to the Pension plan or belong to the Treasury. We have clearly identified funds that belong to Treasury, so we have transferred them to Treasury. We have clearly identified funds that belong to Pension, so we have transferred them to Pension. We have not distributed all funds because we want to make sure that they are correctly allocated before we make final distributions.

Chairman Ragazzo stated that he wanted to congratulate whoever prepares the financial charts that is in the packet. The charts make it very easy and they explain every game. They do a great job with creating them.

Executive Director Hedinger stated is the charts are prepared by our Finance department and she thanks him on their behalf.

Executive Director Hedinger reported that last week Deputy Director of Security Duane Daniels and his assistant, Tom Weber, went to a seminar on financial crimes and forfeiture. It was held with multiple jurisdictions of law enforcement on various subjects that have to do with financial theft. They went to present on the resources that are available from the Lottery to help prosecutors or police departments with financial crimes. It was very well received.

Chairman Ragazzo requested a motion to approve the Director's Report. Commission Slater made the motion which was seconded by Commissioner McDonough.

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 "\$5,000 Gold Rush," "\$20,000 Gold Rush," "\$200,000 Gold Rush," "\$1,000,000 Gold Rush" and "Pink Diamond Bingo." Commissioner Slater made the motion which was seconded by Commissioner McDonough. 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 rules for approval are "Hot Hoops" and "Escape." Commissioner Slater made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

EXECUTIVE SESSION

There was no Executive Session.

PUBLIC COMMENT

There was no Public Comment.

ADJOURNMENT

Chairman Ragazzo asked for a motion to adjourn the Public meeting. Commissioner Slater made the motion which was seconded by Commissioner McDonough. 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 November 21, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 19th day of December, 2017.



Carole Hedinger
Executive Director