

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, DECEMBER 20, 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)
Thomas Neff, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Christin Deaconi, DAG
Mary Maples, Gov. Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, Northstar
Lou Cleary, Northstar
Sarah Brennan, Northstar
Scott Kenyon, Northstar
Sam Fromkin, Northstar
Chris Havard, Ferrara

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael Decheser
Judy Drucker
Frances Edwards
Janetta Foy
Karen Kokoll
Kalliopi Kostis
Charlene Mello
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 November 22, 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 November sales rebounded after a slight decline in October. Sales in November were the highest for a November for the last six years. We are on target for a strong holiday season.

Executive Director Hedinger noted that while looking at performance this year over last year, the average jackpots are similar for Jersey Cash 5, Pick 6 and Mega Millions year over year except for average jackpots for Powerball. Powerball has rebounded nicely this year and has given us a few meaningful jackpots.

Executive Director Hedinger noted that the profit from lotto games for month was \$82.7 million, representing 41% of our profit. All of our sales profit is 30.35%. We watch it very carefully to make sure our net revenue is always at the 30% minimum.

Executive Director Hedinger stated that receipts and deposits for the month were over \$209 million.

Executive Director Hedinger noted that there were 121 electronic fund transfer (EFT) failures totaling \$478.5 thousand for the month. The Accounts Receivables Unit settled or closed 77% of EFT failures from October. Field Account Adjusters visited 306 retailers and collected \$211.8 thousand.

Executive Director Hedinger stated that we worked with the Attorney General's Office to update and strengthen our collection procedures.

Executive Director Hedinger reported that at the end of November the cumulative outstanding accounts receivable balance is \$3.4 million. The total amount of bad debt reserve is \$2.6 million.

Executive Director Hedinger stated that the balance for all unclaimed prizes is over \$10 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$150.2 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 \$31.5 million or 21% of sales for November.

Executive Director Hedinger stated that the Core and Family Games contributed \$78.4 million or 56% of sales.

Executive Director Hedinger noted that the four new instant games we introduced in November contributed \$13.2 million and represented 9% of sales.

Executive Director Hedinger reported that the Holiday Instant Game advertising began on November 1st and continues through December 31st to include television commercials, radio commercials and Out of Home advertising. We have been very active with holiday promotions at all of the malls throughout New Jersey.

Executive Director Hedinger stated that in our Online Product activities, we ran a holiday promotion that began on November 21st. For \$10, players can purchase vouchers that are good for seven games instead of giving an actual ticket to someone. The person can cash in the voucher for what games they want and they can be redeemed for quick pick tickets. This is a different promotion this year and it has been selling very well.

Executive Director Hedinger reported that we introduced one new Fast Play game in November, "Frosty \$50's", which is the first seasonal themed Fast Play game.

Executive Director Hedinger noted that we had five high-tier winners in November. There were four Jersey Cash 5 XTRA winners throughout the state and one Pick-6 XTRA drawing that resulted in a \$3.4 million winner.

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 134 email requests and inquiries from VIP Club members.

Executive Director Hedinger noted that the VIP Club increased its membership with 3,173 new registrations during the month. We now have 382,444 active members.

Executive Director Hedinger reported that all drawings for the month of November 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 we have been monitoring legislation that might affect us. Yesterday, the courier bill passed in its entirety. It now goes to the Governor's Office for his consideration. The Lottery has opposed this legislation since it was introduced. It's a risky proposition. We'll see if it gets signed or not. Personally speaking, I hope it is vetoed. Executive Director Hedinger does not think it is good legislation nor will it serve the Lottery beneficially in any way.

Executive Director Hedinger stated that we have Winner Awareness Content Management that we support actively through our social media. Those social media posts that had the top reactions are listed.

Executive Director Hedinger reported that our Responsible Play Program continues. We received our Level 4 certification in November from the World Lottery Association. We have now achieved the highest level of certification for the Responsible Play Program. It is a very vigorous process to go through in order to get that kind of approval. We are very proud of the hard work that went into that by both the Lottery and the staff at Northstar. They put together a very successful package. It indicates our commitment to Responsible Play. We work very closely with the Council on Compulsive Gambling to promote responsible play.

Executive Director Hedinger stated that we also received an award in November for innovations that we put into play as part of our Level 3 application. The innovation is target advertising about responsible play to the counties that have the highest number of phone calls or requests for help to the Council on Compulsive Gambling.

Executive Director Hedinger stated that there were a number of Speaker's Bureau Events completed in November. There aren't any scheduled for December since it is a busy time of the year for promotions. They will resume in January.

Executive Director Hedinger noted that there were a large number of Public Promotional Events completed in November. There are even a larger number of events scheduled for December to promote holiday sales.

Executive Director Hedinger reported that there were 132 security investigations initiated during the month.

Executive Director Hedinger stated that 84 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing staff received and processed 90 applications and 59 licenses were issued.

Executive Director Hedinger reported that at the end of November, there were 7,910 licenses issued.

Executive Director Hedinger stated that in November our IMS unit helped to migrate Lottery users from our domain to the Treasury domain. That was a long running program that the Division of Revenue and Enterprise Services (DORES) attempted to get us into their domain over a long period of time. It was finally successful in November. There are always some issues involved with those kinds of changes and it kept our unit busy. They worked to ensure everyone had access to everything that they need to have access to.

Executive Director Hedinger reported that the Validations staff received and sorted 4,433 claim forms during the month of November with an additional 379 walk-in claims. They entered 4,896 claims into the system and 4,932 were edited. During the month, 5,594 claims totaling over \$21 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 29 Social Security number matches in November. Twenty seven claims were processed and garnished because of current and previous matches. Twelve claims were released from previous matches.

Executive Director Hedinger noted that in the beginning of next year we will be utilizing a new system to match all claimants' social security numbers against various data bases. This is to determine if people are living or if these social security numbers match information that is provided by the claimant.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 3,842 incoming calls during the month. They made 215 outgoing calls to retailers. There were 169 requests for assistance with instant pack status changes. They handled 1,205 winner claim status calls during the month of November with 165 answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted deliveries, packed items to be moved or destroyed and processed game end returned packs. The Warehouse has been undergoing reorganization with the new supervisor. The previous supervisor retired in November and the new supervisor is taking control of the warehouse quite well. John Custodio has been working with the warehouse staff to get it in shape. We were running out of room, but reorganizing and purging old items has given us extra space.

Executive Director Hedinger noted that our Facilities coordinator worked with Nexus to ensure that the facility was kept in good working order.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that it is uncanny how we were almost exactly in the same place fiscal year to date contributions as last year. We are 0.4% over budget and are 5% over last year's budget.

Executive Director Hedinger wished everyone a happy holiday. And she hopes everyone who is traveling has safe travels.

Chairman Ragazzo congratulated the staff and Executive Director Hedinger on the press conference a few weeks ago where the staff and Northstar reached the Level 4 certification. For the Commissioners, a couple of weeks ago there was a press conference, it was very prestigious in terms of reaching that level, so I understand that the amount of work was voluminous and I think John Custodio was involved in a lot of that and the rest of the staff. I just want to congratulate you and wish everyone happy holidays.

Commission Slater wished everyone happy holidays, Merry Christmas and Happy Chanukah.

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

NEW BUSINESS

Chairman Ragazzo requested a motion to approve the 2017 meeting schedule. Commissioner Slater made the motion which was seconded by Treasurer Designee Tom Neff. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

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 "Money Vault" and "\$500 Money Madness." 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 amendment to the General Rules governing Pick-3 and Pick-4 game rules. 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 an addendum to the General Rules governing Pick-3 and Pick-4 game's "Fireball" feature. 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.

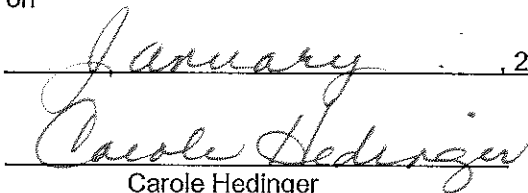
ADJOURNMENT

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 December 20, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 24th day of January, 2017.



Carole Hedinger
Executive Director