

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING, JUNE 28 2016

Executive Director Hedinger 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 D'Anton, Commissioner (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

#### VISITORS

Bill Murray, Northstar  
Lou Cleary, Northstar  
Sam Fromkin, Northstar  
Foster Krupa, Northstar  
Sarah Brenna, Northstar  
Dustin Racioppi, The Record

#### STAFF

Joyce Brown  
Denise Coleman  
Duane Daniels  
Michael DeCheser  
Judith Drucker  
Frances Edwards  
Janetta Foy  
Karen Kokoll  
Kalliopi Kostis  
Megan Mazzoni  
Charlene Mello  
Richard Pagnani  
Steve Palmieri  
Debbie Raub  
Mary Ann Rivell  
Margaret Square  
John White  
Melissa Williams

After the Pledge of Allegiance, Executive Director Hedinger 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.

Executive Director Hedinger requested a motion to approve the minutes of the May 24, 2016 Commission Meeting. Commissioner Slater made the motion, which was seconded by Vice Chairman Toscano. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

#### DIRECTOR'S REPORT

Executive Director Hedinger stated that through the month of May, we have had a very good year. In May we broke the \$3 billion sales barrier. Last year, we didn't break that barrier until the end of June. Overall, May 2016 over May 2015 sales were 10.4% higher. That is due to the growth in Powerball and Mega Millions sales. Having a very good May helps finish the year strongly.

Executive Director Hedinger noted that so far in June, sales are also going very well because of the Mega Millions roll. Year over Year, our lotto games are up 13%. They still trail two years ago, but they are coming back. All of our daily games and instant tickets were also up year over year. Overall sales are 9.7% higher than the year before for the 11 months. Hopefully next month we will have some figures on what our total net revenue is.

Executive Director Hedinger reported that our fiscal year profit is running at about 29.9% of sales but that does not include the additional forfeited prizes that will be included after the final audits are complete.

Executive Director Hedinger stated that receipts and deposits for the month were \$509.6 million.

Executive Director Hedinger noted that there were 98 electronic fund transfer (EFT) failures totaling \$571.5 thousand for the month of May. The Accounts Receivables Unit settled or closed 82% of EFT failures from April. Field Account Adjusters visited 369 retailers which resulted in the collection of \$310 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of May 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 May were almost \$20 million. The unclaimed prize reserve account for instant games declined by \$1.3 million in order to fund the Million Dollar Replay 2<sup>nd</sup> Chance Drawing, which is our practice every year.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$161.3 million.

Executive Director Hedinger reported that the three top selling non-core games that made up 20% of instant sales for May were "\$5,000,000 Cash Extravaganza," "Cash Blast" and "100x The Cash."

Executive Director Hedinger noted that the total sales for the Core and Family Games for the month made up 49% of sales at \$81.2 million.

Executive Director Hedinger stated that the four new instant games that were introduced in May were "Tic Tac Toe," "Quick \$50s," "\$100,000 Winning Streak" and "Cash Blast." Those games made up over \$15 million in sales.

Executive Director Hedinger reported that we had instant game advertising activities that supported "10k Blowout," "Quick 50's" and "Cash Blast."

Executive Director Hedinger stated that in our Online Product Activities we introduced "5 Card Cash" that was launched on May 16. For the first two weeks we averaged \$0.06 cents weekly per capita. The game is performing well and up to expectations.

Executive Director Hedinger stated that we introduced two new Fast Play games in May. There are a total of eighteen Fast Play games available.

Executive Director Hedinger noted that we had the big Powerball Winner in May. The Smith Family won \$429.6 million. It was a great event for us in New Jersey as we had the only winning ticket sold for that draw.

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

Executive Director Hedinger reported that in our Lottery Consumer and Retailer Websites Support, we responded to 166 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. They usually visit two pages lasting over two minutes.

Executive Director Hedinger noted that the VIP Club increased its membership with 3,612 new registrations during the month of May. We now have 361,367 active members.

Executive Director Hedinger stated that all drawings for the month of May 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 there were many media relations that took place in May. A lot of that surrounded the exciting event of the Smith family winning the Powerball jackpot and the two press conferences that we held. We had the press event at the 7-11 where the winning ticket was sold. A few days later we held the press event at headquarters introducing the winners. It made for worldwide coverage. The kind of coverage we received from that event, if we had to pay for it, exceeded \$7 million.

The value of having a big win cannot be underestimated. That is why winner awareness is so important and we stress that all the time.

Executive Director Hedinger stated that we work very hard throughout the retail network and through social media to keep winner awareness very front and center in order for people to realize that thousands of people win all kinds of prizes every day.

Executive Director Hedinger noted that we continue to monitor any proposed legislation that may be introduced.

Executive Director Hedinger stated that our Responsible Play Program continues coordinating the arrangements for the sponsorship and the attendance at the 30<sup>th</sup> National Conference on Problem Gambling.

Executive Director reported that we are also beginning to work on the "Not 18 Yet? No Bet" annual awareness campaign. We generally hold this in August before school starts to remind everyone, especially students, that if you are not 18 you cannot play.

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

Executive Director Hedinger stated that there were a number of Promotional Events that were completed in May and June. This is the time of the year where we are at fairs and festivals doing events with our retailers and the public.

Executive Director Hedinger noted that there were 210 security investigations initiated during the month.

Executive Director Hedinger reported that 155 random field inspections were conducted at retailer locations.

Executive Director Hedinger stated that the Licensing staff received and processed 107 applications and 89 licenses were issued.

Executive Director Hedinger noted that there are 7,856 licenses issued at the end of May.

Executive Director Hedinger reported that we collected a total of \$5,995.37 for the month of May through our efforts with the Division of Taxation. We have collected over \$49 thousand for FY16.

Executive Director Hedinger stated that the IMS unit is continuing to upgrade our Active Directory. There were a number of other systems programming issues that were completed during the month as well.

Executive Director Hedinger reported that the Validation staff received and sorted 4,464 claim forms during the month of May with an additional 419 walk-in claims. They entered 5,014 claims into the system and 5,193 were edited. During the month, 5,099 claims totaling \$27,885,167 were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 19 Social Security number matches in May. Eleven claims were processed and garnished because of current and previous matches. Four claims were released from previous matches.

Executive Director Hedinger reported that the Retailer/Call Center Services Unit handled 3,732 incoming calls during the month. They made 63 outgoing calls to retailers. They handled 138 requests for assistance with instant ticket pack status changes. They handled 1,873 winner claim status calls during the month of May with 209 answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted deliveries during the month. They packed up and shelved games that ended. The Trifactor machine performed without incident. Two new games were received at the IGT warehouse. They also made the Lottery trailer available to Northstar for the Elizabeth Waterfront Festival.

Executive Director Hedinger reported that the Facilities unit made sure the building was in good repair. There were several preventative maintenance inspections and repairs conducted. They also installed additional shelving for promotional items.

Executive Director Hedinger stated that in Northstar activities, 855 new retailers have been added since Northstar's contract began in October 2013.

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

Chairman Ragazzo asked if there were any questions or comments.

Vice Chairman Toscano asked about the licensing process and a discussion was held.

Executive Director Hedinger stated that next month she will provide the Commissioners more information on claims that we have processed, the number of security investigations conducted during the fiscal year, and information on the number of applications for licenses we received and approved.

Chairman Ragazzo asked about the length of a retailer's license and a discussion was held.

Chairman Ragazzo asked if there is a minimum that a retailer must sell each year and a discussion was held.

Vice Chairman Toscano asked about the amount of licenses there are in Ocean County and a discussion was held.

Chairman Ragazzo asked about the profit that is made at promotional events and a discussion was held.

Executive Director Hedinger announced that Steve Palmieri is retiring after 35 years at the end of the month. Executive Director Hedinger stated that Steve has been invaluable to her while she has been at the Lottery and his departure will be a great loss. She stated that Steve has the ability to quickly come up with calculations, projections, estimates that were always well based and conservative. She stated that she would try to push him to the liberal side sometimes, and he would try to keep her on the conservative side.

On behalf of the Commissioners, Chairman Ragazzo congratulated Steve Palmieri on his retirement. He stated that 35 years with any organization is an accomplishment. He wished Steve the best on the journey that he is about to take.

Vice Chairman Toscano stated that if Steve Palmieri worked for the private sector, he would have made 3 or 4 times more money. He stated that a person like Steve is worth gold in the private sector and being a public worker for 35 years is amazing. He noted that people don't realize the sacrifices that public workers make. Great job.

Commissioner Slater endorsed everything that Chairman Ragazzo and Vice Chairman Toscano said. He stated that he has known Steve for a long time and that he is going to miss him and wishes him God speed and the very best. He suggested that we give Steve a mobile phone to keep in touch.

Executive Director Hedinger stated John White will be replacing Steve and Charlene Mello will be assisting John.

Executive Director Hedinger presented Steve Palmieri with a plaque recognizing his 35 years of service to the State of New Jersey.

Executive Director Hedinger asked Deputy Director John Custodio to provide information regarding the first test of the Business Continuity Site that was conducted.

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

**NEW BUSINESS**

Chairman Ragazzo stated that the election of officers will take place and asked for a nomination for Chairman of the Lottery Commission. Commissioner Slater nominated Frank Ragazzo, which was seconded by Commissioner D'Anton. Chairman Ragazzo asked if there were any comments and there being none asked for a roll call vote.

Robert Slater	Yes
Robert D'Anton	Yes
Patrick Toscano	Yes
Frank Ragazzo	Yes

Chairman Ragazzo stated that the motion carried and stated that he has been re-elected Chairman of the New Jersey Lottery Commission.

Chairman Ragazzo asked for a nomination for Vice Chairman of the Lottery Commission. Commissioner Slater nominated Patrick Toscano, which was seconded by Chairman D'Anton. Chairman Ragazzo asked if there were any comments and there being none asked for a roll call vote.

Robert Slater	Yes
Robert D'Anton	Yes
Frank Ragazzo	Yes
Patrick Toscano	Yes

Chairman Ragazzo stated that the motion carried and Patrick Toscano has been re-elected Vice Chairman of the New Jersey Lottery Commission.

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 "\$25 Mayhem," "\$100 Mayhem," "\$500 Mayhem," "Poker Showdown," "\$1,000,000 Spectacular" and "Platinum Diamond Spectacular." 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.

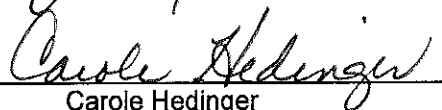
**ADJOURNMENT**

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 June 28, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 27th day of July, 2016.



Carole Hedinger  
Executive Director