# NEW JERSEY STATE LOTTERY COMMISSION

## PUBLIC MEETING, JANUARY 21, 2015

Chairman Tucci 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

Thomas Tucci, Chairman
Frank Ragazzo, Vice Chairman
Robert D'Anton, Commissioner
Robert Slater, Commissioner
Patrick Toscano, Commissioner
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General

### VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, GTECH
Lou Cleary, Northstar
Lori Harris, Northstar
Joan Mueller, Brushfire
Chris Havard, Ferrara

### STAFF

Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Karen Kokoll
Fran Lioudis
Megan Mazzoni
Richard Pagnani
Steven Palmieri
Deborah Raub
Margaret Square
John White

After the Pledge of Allegiance, Chairman Tucci 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 Tucci requested a motion to approve the minutes of the December 18, 2014 Commission Meeting. Commissioner Toscano made the motion, which was seconded by Commissioner Slater. Chairman Tucci asked if there were any comments and there being none the motion carried.

## DIRECTOR'S REPORT

Executive Director Hedinger stated that sales are improving. We have suffered a huge drop in sales in the multi state games. When they don't sustain the sales that we target for in our budget, we suffer.

Executive Director Hedinger reported that our daily and instant games can be controlled and they are performing quite well. We were on a downward trend a few years ago on daily games and we were able to stabilize that trend and increase those game sales. Instant games are doing very well.

Executive Director Hedinger noted that we cannot control multi state games and that the entire country has seen a 40% drop in sales. In New Jersey, there has been a 50% drop in sales. If our performance does well, the sales will return. We are performing well as far as retailer support and we are putting everything in place that the retailers need to sell the tickets. The expansion of that network will pay off.

Executive Director Hedinger stated that the industry needs to determine what to do about the jackpot games. They will look at them and try to improve them with matrix changes or add on features. We need to get mobile and get on line to attract the players to our games.

Executive Director Hedinger stated that receipts and deposits for the month of December were $215 million.

Executive Director Hedinger noted that there were 129 electronic fund transfer (EFT) failures totaling $406 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance was $3.1 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for December are almost $20 million.

Executive Director Hedinger noted that the balances in the annuity investment accounts total $197 million. There have not been any rating changes in those companies.

Executive Director Hedinger reported that the new $30 instant ticket, "$5,000,000 Cash Extravaganza," went on sale in early January and is selling well.

Executive Director Hedinger stated that the three top selling non-core games for December were "Holiday Gold," "$2,000,000 Mega Cash" and "Holiday Magic" totaling nearly $20 million in sales.

Executive Director Hedinger noted that sales for Core and Family Games for the month totaled $72 million in sales. They represent half of our sales.

Executive Director Hedinger stated that the four new instant games that were introduced in December were "2015 Cash Spectacular," "Chilly Bills," "Cash Bonus Bingo" and "Win it All." Those games made up approximately 9% of sales.

Executive Director Hedinger noted that we supported instant games in holiday advertising in December.

Executive Director Hedinger stated that there was in store support for "2015 Cash Spectacular."

Executive Director Hedinger noted that we ran the "Holiday Collect 'N Win 2nd Chance" Promotion for the month of December. This helped increase sales for Pick-3 and Pick-4 by 2% year over year. Jersey Cash 5 sales increased almost 7% year over year.

Executive Director Hedinger stated that we recently changed the starting jackpot on the Jersey Cash 5 game and that is increasing sales.

Executive Director Hedinger noted that CASH4LIFE continues to do very well. Pennsylvania is planning on joining the game in April and that will give it a boost.

Executive Director Hedinger reported that the final Monopoly Millionaires' Club drawing was held on December 26th.

Executive Director Hedinger stated that the Monopoly Millionaires' Club TV show will begin airing in March. It will make a huge difference in how the Monopoly Millionaires' Club game can be sustained in another form. If it's a hit, there will be a game developed to support it. All the contestants on the show are lottery winners.

Executive Director Hedinger stated that our social media continues to be strong. Interest continues to grow among fans.

Executive Director Hedinger reported that all drawings for the month of December were completed with no abnormalities.

Executive Director Hedinger noted that all pool closings were closed with no abnormalities.

Executive Director Hedinger stated that there were a number of press releases issued. We were able to celebrate the first New Jersey CASH4LIFE top prize winner with a retailer celebration.

Executive Director Hedinger noted that the most reactive social media posts for December were the Jersey Cash 5 ticket being sold and the Mega Millions winners. We are increasing winner awareness on how many lower tier prizes there are through all of our public media.

Executive Director Hedinger stated that we participated in a conference call with the Council on Compulsive Gambling of New Jersey.

Executive Director Hedinger reported that we are following legislation that could affect us. A bill was introduced in December that would authorize the operation of lottery courier services. We are not in favor of this.

Executive Director Hedinger stated there is another piece of legislation that will establish a "Gold Alert System" for missing persons with developmental disabilities. This alert would be posted on our lottery terminals.

Executive Director Hedinger noted that we had a Public Promotional Event on January 9th to promote the new $30 instant ticket.

Executive Director Hedinger reported that there was a Speaker's Bureau Event completed in December. There are many events scheduled for January.

Executive Director Hedinger stated that there were 167 security investigations initiated in December.

Executive Director Hedinger noted that we hired two new security investigators and the unit is fully staffed. We hired additional investigators with the new contract because we have increased the number of retailers.

Executive Director Hedinger noted that the Licensing Unit received and processed 143 applications. There were 143 licenses issued.

Executive Director Hedinger stated that there are 7,335 licenses issued as of December 30, 2014.

Executive Director Hedinger reported that we collected a total of $3,144.65 for the month of December through our efforts with the Division of Taxation. The total collected for this fiscal year is $14,638.33.

Executive Director Hedinger noted that the new Claims and Payment System is working very well. With any brand new system, there are a few tweaks that need to be made. The new system will be issuing our W2G and 1099 forms. There has been no decrease in the amount of claims that we are able to process. We're very happy to have this new system.

Executive Director Hedinger stated that we responded to 109 email requests and inquiries from VIP Club members.

Executive Director Hedinger reported that the VIP Club increased its membership with 3,092 new registrations during the month of December. We now have more than 286,000 active members.

Executive Director Hedinger noted that the Validation staff received and sorted 3,976 claim forms during the month of December with an additional 248 walk-in claims.

Executive Director Hedinger stated that there were 18 Social Security number matches. Fifteen claims were processed and garnished because of current and previous matches. Five were released from previous matches.

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

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled over 4,000 calls during the month of December. They made 243 outgoing calls to retailers. They handled over 1,000 winner claim status calls during the month, with 132 of these calls answered at the front desk.

Executive Director Hedinger stated that the warehouse staff continues to process the game ends.

Executive Director Hedinger stated that the Facilities Coordinator has done a great job making sure that there are no issues with the building.

Executive Director Hedinger reported that Northstar's employee count is at 129, with 92 in Sales and 21 in Marketing. The number of retailers has increased by 587 since they began operations.

Treasurer Designee Roger Cohen asked how Northstar's employee count compares to the amount of sales and marketing employees what we had.

Executive Director Hedinger stated that our sales force was approximately 40 people and our Marketing Department was one person with two assistants.

Executive Director Hedinger distributed a Powerball Performance Analysis chart which showed the estimated lost sales for multi state games.

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

Chairman Tucci asked if there were any questions or comments.

Commissioner D'Anton asked about the Delaware Life Insurance's BBB rating and what would happen if they fall below that rating.

Executive Director Hedinger stated she will look into that.

Commissioner D'Anton questioned the sales in nearby States and a discussion was held.

Commissioner D'Anton asked how much the advertising budget is.

Executive Director Hedinger stated that it is $23 million a year.

Commissioner D'Anton questioned the amount of licenses issued in regard to sales and incentives.

Executive Director Hedinger stated that we have a number of incentives for retailers as well as the players. Last month we ran the "Holiday Collect 'N Win 2nd Chance" Promotion for the players. We have game promotions nearly every month.

Commissioner D'Anton asked if business is continuously decreasing each month.

Executive Director Hedinger stated that sales have been improving. The problem is the revenue for jackpot games has been decreasing.

Commissioner D'Anton questioned what the percentage of revenue for jackpot games are and a discussion was held.

Commissioner D'Anton suggested that we make the Pick-6 Lotto game more attractive to players.

Executive Director Hedinger reported that the Pick-6 XTRA feature was launched this month and is being promoted. We will see the effects on Pick-6 sales.

Commissioner Slater asked if we can separate the state contribution budget by lotto games and daily games on the Director's Report.

Executive Director Hedinger stated it will be separated in next month's report.

Commissioner Slater asked about the results of Security investigations and a discussion was held.

Commissioner Slater questioned if we advertise to the VIP club members through email blasts.

Executive Director Hedinger stated that she would look into it.

Commissioner Toscano questioned what the New Jersey Lottery benefits from press releases being picked up by other media outlets and a discussion was held.

Chairman Tucci questioned why instant tickets continue to grow in sales when other games are decreasing.

Executive Director Hedinger stated that players like the instant gratification. There are a lot of prizes that are designed for players to replay their winnings.

Chairman Tucci asked if the Monopoly Millionaires' Club is continuing because of contractual obligations and a discussion was held.

Executive Director Hedinger stated that we are contractually obligated as the contestants had already been drawn for the first six tapings of the show. The second set of contestants, for the next six tapings, is scheduled to be drawn this month.

Chairman Tucci asked if there will be a replacement game for Monopoly Millionaires' Club.

Executive Director Hedinger stated that the 23 states involved with the game are trying to decide whether or not to do a "bridge" instant game for this TV show in order to have a pool of potential contestants in case the show does well. The MUSL group is researching if there is a national game that people would want to play. There are many unanswered questions and much of it depends on the popularity of the TV show.

Chairman Tucci asked if the Commissioners can be notified about promotional events.

Executive Director Hedinger stated that we will notify them of future events.

Commissioner D'Anton mentioned that it's possible that the Lottery business isn't there any longer and a discussion was held.

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

**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.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Escape to Margaritaville®." Commissioner Slater made the motion which was seconded by Commissioner D'Anton. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Super Tic Tac Toe." Commissioner Slater made the motion which was seconded by Commissioner D'Anton. Chairman Tucci asked if there were any comments and there being none the motion carried.

**PUBLIC COMMENT**

There was no public comment.

**EXECUTIVE SESSION**

Chairman Tucci requested a motion to go into Executive Session. Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. The motion carried. Chairman Tucci read the following "Executive Session Resolution:"

Be it resolved, that pursuant to N.J.S.A. 10:4-13, that the Lottery Commission enter into Executive Session during which the public shall be excluded to discuss:

- Any tactics and techniques utilized in protecting the safety and property of the public provided that their disclosure could impair such protection. Any investigations of violations or possible violations of the law, pursuant to N.J.S.A 10:4-12 Section 6.

As to any matter discussed in Executive Session, the subject and nature of the discussion will be timely made known to the public if and when the need for confidentiality ends.

At this time, the Public Meeting resumed.

**ADJOURNMENT**

Chairman Tucci 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 January 21, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 19th day of February, 2015.

Carole Hedinger

Carole Hedinger
Executive Director