

**Workshop and Regular Meeting of Board of Directors  
New Mexico Lottery Authority  
March 28, 2012  
MINUTES**

**Call to Order:** Board Chair Marcus Rael, Jr. called the meeting to order at 11:00 a.m. M. Rael asked for roll call. Present and constituting a quorum were Mark Koson, Herman Tabet, Marcus Rael, Reta Jones, Ken Hoeksema, and Clifford Stroud (via telephone). M. Rael introduced new Board Member Mark Koson.

**Introductions:**

The following employees were present from NMLA: Tom Romero, Adriana Binns, Evelyn McKnight, Pam Poteat, Dave Ramirez, Vince Torrez, Sylvia Jaramillo, Linda Hamlin, Michael Boland, Wendy Creel, Jessica Quintana, Wilma Atencio and Randy Bertram. Also present was Michael Capen of Gaming Laboratories, Inc. (GLI), Levi Tenbrink, NM Council on Problem Gambling, Charles Brunt of the Albuquerque Journal and Marshall Puckett, private citizen.

**Oath of Office:**

M. Rael administered the Oath of Office to new Board member Mark Koson.

**Approve Proposed Agenda:**

M. Rael called for a motion to approve the approved proposed agenda or if anyone had changes to the agenda. T. Romero proposed changing the order of the agenda. T. Romero requested moving item C1 to Item A3. M. Rael entertained a motion to approve the proposed amended agenda. K. Hoeksema moved to approve the agenda as amended. Second by H. Tabet. All in favor, 6-0.

**Approve Minutes of December 14, 2011 Board of Directors Meeting:** M. Rael entertained a motion to approve the minutes from the December 14, 2011 Board meeting. R. Jones moved to approve the minutes. Second by K. Hoeksema. All in favor, 6-0.

**Approve Minutes of January 19, 2012 Workshop and Board of Directors Meeting:** M. Rael entertained a motion to approve the minutes from the January 19, 2012 Workshop and Board meeting. C. Stroud requested to strike the second time arrival on page 2, at the end of paragraph 4. H. Tabet moved to approve the minutes as amended. Second by R. Jones. All in favor, 6-0.

**Executive Reports:**

**CEO:**

**General Update:** T. Romero reported on activities and sales. Sales are currently running approximately \$4.3 million behind last year at this same time. Powerball is ahead \$4.2 million at \$24.9 million, while Roadrunner Cash is down \$1.9 million. PICK 3 is down \$23,000. Mega Millions is down \$900,000 and Hot Lotto is down \$1.9 million. Total draw games are up \$300,000 thanks to Powerball sales. Instant tickets are continuing on a downward trend, we are \$4.6 million behind compared to last year. Powerball is ahead due to a previous jackpot run up; there have been few significant jackpot run ups for Hot Lotto and Roadrunner Cash. Mega Million sales are not as high as would have been expected given the high jackpot. The \$2 Powerball wagers are running approximately 43% more in dollars/wagers compared to the average of the previous 52 weeks. The lottery is earning more in revenue at the \$2 price range. The wagers are down approximately 23%, less than expected. "Quicksters" the lottery's new instant draw game launched on Sunday March 25<sup>th</sup>.

Tom reported that staff is in the process of preparing FY 2012 budget revisions and the proposed budget for FY 2013 to present to the Board at our next workshop Board meeting in May. The strategic plan in support of the budget will also be presented during that meeting.

Tom reported he recently attended the Multi-state Lottery, Powerball and NASPL meetings in New York relating to how Powerball is performing and preliminary discussions regarding a national premium price point game. There is some concern that the Powerball jackpot keeps getting hit sooner than anticipated; again, it is a game of chance. Concepts for the national premium game will be presented at a Director's meeting in June 2012. It has been suggested that the price point for this new game will be \$5 or it could be higher. All concepts will be discussed in June.

Discussions were also held relating to internet gaming. We are still waiting for information from the NM Attorney General's office regarding the Lottery Act and internet gaming. There are still a lot of questions and concerns that need to be asked and answered, the lottery will proceed cautiously.

K. Hoeksema requested an update on the VIP Club. A. Binns reported that the lottery is approaching 8,000 club members and currently have 1,000 facebook fans. A. Binns reported that some changes were made this past year making the site more user friendly and would like to add more features and benefits in the upcoming year. The lottery sends out a monthly news letter. The VIP Club is a good source of communicating with club members and an important source of promoting the lottery and cross promotions with other people and businesses.

K. Hoeksema inquired about the Ticket Advertising Policy that was tabled at the last meeting. T. Romero reported that the lottery does plan on introducing this policy again. Currently, the lottery is planning on meeting with members of the Legislative Finance Committee to discuss the policy and bring their concerns and thoughts back to the lottery board for another round of discussion before proceeding with the policy. M. Rael would like to attend this meeting.

M. Koson asked what the revenue potential for this ticket advertising policy is. T. Romero reported very minimal cost to lottery, about \$.01 to \$.02 per ticket.

**Compulsive Gaming Contract Extension:** T. Romero reported that the lottery is requesting a one year extension on this contract. The original contract with the NM Council on Problem Gambling is from April 1, 2010 through March 31, 2012 and allows for two one year extensions on the same terms and conditions. The annual amount is not to exceed \$87,400. It is our recommendation and we are asking the Board to approve a one year extension from April 1, 2012 through March 31, 2013 for this contract.

R. Jones noted that due to a conflict, she is withdrawing from any conversations and voting in this matter.

H. Tabet asked that it appears that not all the casinos were contributing to the NM Council on Problem Gambling. L. Tenbrink reported that the difference between race tracks and casinos was that the race tracks are under contract services and Indian Gaming (casinos) is contributions only and they each decide if they want to contribute and what amount. L. Tenbrink reported that the "RGANM" is the Responsible Gaming Association of New Mexico and that most of the Indian casinos have created a board, which they fund their monies into this organization, which then contributes to the NM Council on Problem Gambling. L. Tenbrink reported that the NM Council on Problem Gambling just opened up a new office in Sunland Park with an intensive outreach program.

H. Tabet asked if it was up to the lottery what it wants to contribute. In the past, 1% of callers say that their main gambling problem is due to the lottery. L. Tenbrink responded yes it is and that the race tracks are the only organizations that must contribute a set amount, due to their contracts. M. Rael requested a meeting with the NM Council on Problem Gambling.

C. Stroud makes a motion to extend the Compulsive Gaming Contract for one year. Second by M. Koson. All in favor, 4 ayes, 1 nay, 1 abstained.

#### **AUDIT:**

**Audit Contract Extension:** T. Romero presented the Audit Contract Extension on behalf of M. Boland. On January 1, 2009, the lottery entered into contract with Atkinson and Co to provide drawing services for our nightly draws. The initial contract was to end on December 31, 2011. The proposal approved by the Board also allowed for a one – one year extension, January 1, 2012 through December 31, 2012. Internal Audit authorized the one year extension with Atkinson based on the award and the contract. However, we have a policy dating back to 2005, specific to finance and audit issues, that requires Board approval for any extensions. This is the only extension for this contract and we will be going out for RFP this fall. The lottery is asking Board approval, retroactively, for the one year extension on the contract with Atkinson and Co.

M. Rael asked if the lottery has been operating as normal from January 2012 to present date. T. Romero reported that in October 2011, Internal Audit did submit a letter to Atkinson under the contract it required a 3-month notice to extend the contract, which Atkinson accepted.

M. Rael commented that any contract over \$50,000 be reviewed by legal, language be included in future contracts and approved by the board.

M. Rael entertained a motion to approve the contract extension with Atkinson & Company expiring December 31, 2012. C. Stroud moved to approve the contract extension. Second by K. Hoeksema. All in favor, 6-0.

#### **FINANCE:**

**Financial Statements:** S. Jaramillo presented a detailed review of the February 2012 financial statements. The lottery's net income is \$4.3 million dollars. This is the highest return for any month in fiscal year 2012 and represents a 32.19% net income return. Net instant sales (after deducting prize, spoiled and stolen tickets) were approximately \$46.2 million and accounted for approximately 53.3% of net sales. Net drawing game sales were approximately \$40.5 million. Net drawing game sales were about \$971,000 more than the FY 12 YTD budget and were nearly \$1.3 million more than FY 11 net drawing game sales. Total Operating Revenues were almost \$3.5 million behind the YTD budget and \$2.5 million behind last year's operating revenues for the first eight months of the year. Total Game Expenses were at 95.51% of the YTD budget percentage. Operating revenues were 3.91% lower than its YTD budget, while total game expenses were 4.49% behind the YTD budget. Operating expenses were 3.83% of total Gross Revenues, with the total operating expenses at 90.52% of its YTD budget. Net Income is approximately \$531,000 less than the YTD Budget, and nearly \$810,000 less this year than last February.

**Banking and Related Services:** S. Jaramillo presented a recommendation for Banking and Related Services. Since May 15, 2005, First State Bank, which became First Community Bank and now is US Bank, has been providing banking and related services to the Lottery. The contract will end on May 15, 2012. The lottery issued an RFP for Banking and Related Services on January 11, 2012. The RFP was provided to 15 banks. We received proposals from three banks; US Bank, Wells Fargo Bank, and Bank of Albuquerque.

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An evaluation committee, assigned by the CEO, evaluated and scored the proposals. It was determined that the two banks with the highest points would be brought back for clarification of their individual proposals and to ask for their Best and Final Offer (BAFO) and for any additional value-added products and services at no additional costs.

Wells Fargo's estimated cost for a 4 year contract is approximately \$19,000, whereas, Bank of Albuquerque's estimated cost for a 4 year contract is approximately \$57,500; a difference of \$38,500. Under the NM Lottery's current contract, we are paying approximately \$29,000 for a 4 year contract. With Wells Fargo Bank, the NM Lottery should save approximately \$10,000 during a 4 year contract period in monthly service fees.

The committee submitted its recommendation to the CEO for review and consideration. The CEO has approved the committee's recommendation. The lottery respectfully requests the contract for Banking and Related Services be awarded to Wells Fargo Bank.

M. Rael entertained a motion to award the contract to Wells Fargo based on the recommendation of the Finance Committee and S. Jaramillo's recommendation. K. Hoeksema made a motion to award the contract to Wells Fargo. Second by H. Tabet. All in favor, 6-0.

**Executive Session:**

At 12:00 p.m., M. Rael entertained a motion to move into Executive Session to discuss Lease Options. A motion was made by R. Jones to enter into closed Executive Session to discuss Building Lease and Options. Second by M. Koson. A roll call vote was taken: M. Koson, yes; H. Tabet, yes; M. Rael, yes; R. Jones, yes; K. Hoeksema, yes and C. Stroud, yes. All in favor, 6-0. There was no further discussion.

At 12:30 p.m., M. Rael entertained a motion to reconvene the open meeting and to exit the closed Executive Session. A motion was made by R. Jones to exit the Executive Session and stated that the only item discussed was the proposed lease. Second by K. Hoeksema. A roll call vote was taken: M. Koson, yes; H. Tabet, yes; M. Rael, yes; R. Jones, yes; K. Hoeksema, yes and C. Stroud, yes. All in favor, 6-0. There was no further discussion

**BOARD CHAIR:**

**Announcements:** T. Romero recommended that a tentative meeting date for the Budget Workshop be scheduled for May 9<sup>th</sup> or May 10<sup>th</sup>. The Budget Workshop was scheduled for May 10, 2012 @ 9:00 a.m.

C. Stroud recommended that the Board Meeting minutes not be so lengthy.

**PUBLIC COMMENT:** M. Puckett asked what would an in-state game, with a top prize of \$1 million dollars cost with similar odds as the Road Runner Cash game. M. Rael advised that the lottery would get back with Mr. Puckett on his question.

**ADJOURNMENT:** M. Rael entertained a motion to adjourn the meeting. H. Tabet moved to adjourn the meeting. R. Jones second. All in favor, 6-0. The meeting was adjourned at 12:55 p.m.