

Regular Meeting of Board of Directors
New Mexico Lottery Authority
August 30, 2012
MINUTES

Call to Order: Board Chair Marcus Rael called the meeting to order at 11:09 a.m. M. Rael asked for roll call. Present and constituting a quorum were Mark Koson, Herman Tabet, Marcus Rael, Clifford Stroud and Ken Hoeksema. Reta Jones arrived at 11:11 am.

Introductions: The following employees were present from NMLA: Tom Romero, Adriana Binns, Sylvia Jaramillo, Evelyn McKnight, Pam Poteat, Dave Ramirez, Vince Torrez, Wilma Atencio, Mary Stanford, Wendy Creel, Michael Boland, Scott Ward, Rebecca Welch, Joan Camera, Linda Hamlin, Karla Wilkinson and Gale Johnson. Also present was Randy Reeves, Interim General Manager of Intralot and Mary Smith, NM Attorney General's office.

Approve Proposed Agenda: M. Rael called for a motion to approve the proposed agenda. C. Stroud moved that the agenda be accepted as presented; second by M. Koson. All in favor, 5-0.

Approve Minutes of March 28, 2012 Board of Directors Meeting: M. Rael called for a motion to approve the minutes from the March 28, 2012 Board meeting. C. Stroud moved to approve the minutes; second by K. Hoeksema. All in favor, 6-0.

Approve Minutes of May 10, 2012 Budget Workshop and Board of Directors Regular Meeting: M. Rael called for a motion to approve the minutes from the May 10, 2012 Budget Workshop and Board meeting. K. Hoeksema moved to approve the minutes; second by C. Stroud. All in favor, 6-0.

Executive Session:

At 11:13 a.m., M. Rael called for a motion to move into executive session for limited personnel matters for CEO Evaluation. A motion was made by H. Tabet to enter into closed executive session for the purpose of discussing CEO Evaluation only; second by K. Hoeksema. A roll call vote was taken to enter into executive session: K. Hoeksema, yes; C. Stroud, yes; R. Jones, yes; M. Koson, yes; H. Tabet, yes; and M. Rael, yes. All in favor, 6-0. There was no further discussion.

At 11:37 a.m., M. Rael called for a motion to reconvene the open meeting and to exit the closed Executive Session for limited personnel matters. A motion was made by H. Tabet to exit the executive session; second by R. Jones. M. Rael stated that the CEO evaluation was the only item discussed during the closed Executive Session and no votes or actions were taken. A roll call vote was taken to reconvene the open meeting: M. Koson, yes; H. Tabet, yes; R. Jones, yes; C. Stroud, yes; K. Hoeksema, yes; and M. Rael, yes. All in favor, 6-0. There was no further discussion.

Executive Reports:

CEO:

Employee Recognition: T. Romero and the Board recognized Mary Stanford, Rebecca Welch and Joan Camera for five years of service.

General Update: T. Romero gave a brief update on the Lottery's financial status. Powerball sales are up \$1.6 million, due to a recent jackpot run up. Roadrunner Cash is down \$28,000, Pick 3 is down \$36,000, Mega Million is ahead \$108,000, Hot Lotto is down \$200,000, Quicksters is at \$128,000 and Instant sales are behind \$489,000. Overall the lottery is \$770 thousand dollars ahead. In FY 2012, the Lottery delivered \$41.3 million to the Legislative Lottery Scholarship fund it's the second largest return. T. Romero added there is no new national game in the works at this time.

T. Romero reported that the Lottery is currently working on a new strategy to increase sales for instant tickets in the \$1 and \$2 price points. The strategy includes restructuring these games by modestly increasing the prize percentage payout, re-evaluating and re-allocating the prizes from the high end to the low end for a more winning experience and increasing the odds. The plan will include creating new games, new signs, and new equipment as well as offering more second chance drawings, using the VIP Club and Facebook. The projected date is December. The Board requested a detailed report on the plans and a presentation at the next regular Board meeting.

T. Romero also reported that he recently attended a seminar at the Attorney General's office on Open Meetings Act and Meeting Summary. As a result, T. Romero consulted with legal counsel and would propose that meeting minutes be summarized with information about how the board votes and actions taken rather than having transcript like minutes. Furthermore, after the Board approves minutes, audio tapes will be disposed. In addition, it was stressed in light of past problems with other boards and commissions, all Board members must be present at all meetings in accordance with the Open Meetings Act. Board members should only participate via telephone or other means, when it is difficult or impossible to attend in person. Board supports the new Board Meeting minutes changes. Public Records were also addressed at the AG's seminar, during which it was noted that public records requests will include draft documents and notes. Attorney General Mary Smith, legal counsel concurred.

Retailer Compensation Plan Policy Amendment: T. Romero presented the Retailer Compensation Plan Policy Amendment. T. Romero reported when this policy was adopted at the Board's August 31, 2011 meeting, the word "Jackpot" was omitted in bullet number 7, in the section for the Mega Million's game. The amendment was presented to the Board for approval.

M. Rael called for a motion to approve the Retailer Compensation Plan Policy. R. Jones moved to accept the motion; second by C. Stroud. All in favor, 6-0.

General Drawing Rules and Procedures Amended: T. Romero presented the General Drawing Rules and Procedures for Second Chance Drawings and Promotional Drawings, which were amended to reflect technology changes such as, the Digital Drawing System and the ability for players to enter drawings by Internet or Facebook. The amended policy was presented to the Board for approval.

M. Rael called for a motion to approve the General Drawing Rules and Procedure Amendment Policy. C. Stroud moved to accept the motion; second by K. Hoeksema. All in favor, 6-0.

Lottery Seal Adoption: T. Romero presented the Official Seal of the NMLA Policy. This policy is to define the official usage of the Lottery's seal, both stamp and embossed. The seal(s) will be used on official documents, such as policies, contacts, and employee or retailer certificates. The policy was presented to the Board for approval.

M. Rael called for a motion to approve the Official Seal Policy. C. Stroud made a motion to adopt the Official Seal Policy; second by M. Koson. H. Tabet absent for vote. All in favor, 5-0.

FINANCE:

Fiscal Year 2012 Financial Statements: S. Jaramillo presented the fiscal year 2012 financial statements. The lottery returned \$41.3 million dollars to the Legislative Lottery Scholarship program, the second highest return to the state, since the Lottery's inception. The 30% mandatory return was achieved each month for fiscal year 2012. Net revenue is nearly \$700,000 more than the revised fiscal year 2012 budget. With the final transfer made in July for June, the Lottery has returned \$529 million dollars to the state.

Financial Statements: S. Jaramillo presented a detailed review of the July 2012 financial statements. With the transfer to be made on August 31, 2012, the Lottery will transfer a little over \$3 million to the state of New Mexico for July 2012, 30.12% return of the gross revenues.

AUDIT:

Internal Audit Reports: M. Boland presented several Audit Reports for acceptance by the Board. A full detailed report was made during the Finance/Audit committee meeting. M. Boland advised the Board of the upcoming RFP for Drawing Agreed Upon Procedures Services. R. Jones inquired on number of past RFP responses. M. Boland reported that the Lottery has received 1-3 responses. The Lottery has used the same vendor for its Drawing Audit Services since inception. R. Jones requested that Lottery look into expanding the number of responses being received, for this particular RFP. The Board has requested that the Finance/Audit committee review the RFP. The current contract is valued at \$98,000 annually.

M. Boland will present Audit report 12-005 and 12-008 at the next regular board meeting scheduled for October 2012.

M. Boland presented the 12-003 - NMLA VIP Club October 2011 Player Survey Prize Drawing Audit Report – November 2011. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

M. Rael called for a motion to approve the NMLA VIP Club October 2011 Player Survey Prize Drawing Audit report. R. Jones moved to accept the audit report; second by C. Stroud. All in favor, 6-0.

M. Boland presented the 12-004 - October 2011 Claim Center Winner Videos Prize Drawing Audit Report – November 2011. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

M. Rael called for a motion to approve the October 2011 Claim Center Winner Videos Prize Drawing Audit report. R. Jones moved to accept the audit report; second by K. Hoeksema. All in favor, 6-0.

M. Boland presented the 12-006 - KISS II Second Chance Prize Drawing Promotion Game 776 Audit Report – April 2012. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

M. Rael called for a motion to approve the KISS II Second Chance Prize Drawing Promotion Game 776 Audit report. C. Stroud moved to accept the audit report; second by R. Jones. All in favor, 6-0.

M. Boland presented the 12-007 - STAR TREK Second Chance Prize Drawing Promotion Game 786 Audit Report – May 2012. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

M. Rael called for a motion to approve the STAR TREK Second Chance Prize Drawing Promotion Game 786 Audit report. R. Jones moved to accept the audit report; second by M. Koson. All in favor, 6-0.

M. Boland presented the 12-009 - Annual Inventory Observation FY 2012 Audit Report – August 2012. M. Boland reported the inventory took place on June 29, 2012 and no exceptions were noted. All controls are in place. M. Boland submitted this report for acceptance by the board.

M. Rael called for a motion to approve the Annual Inventory Observation FY 2012 Audit report. R. Jones moved to accept the audit report; second by C. Stroud. All in favor, 6-0.

BOARD CHAIR:

Board Officer Elections:

M. Rael opened nominations for the position of Board Chair. C. Stroud nominated M. Rael for the position of Board Chair; second by H. Tabet. There were no other nominations for this position. M. Rael closed the nominations. Vote was taken. All in favor, 6-0. M. Rael was elected to Board Chair position.

M. Rael opened nominations for the position of Vice Chair. H. Tabet nominated K. Hoeksema for the position of Vice Chair; second by M. Koson. M. Rael closed the nominations. Vote was taken. All in favor, 6-0. K. Hoeksema was elected Vice Chair.

M. Rael opened nominations for the position of Treasurer. M. Rael nominated C. Stroud for the position of Treasurer; second by H. Tabet. M. Rael closed the nominations. Vote was taken. All in favor, 6-0. C. Stroud was elected Treasurer.

M. Rael opened nominations for the position of Secretary. M. Rael nominated M. Koson for the position of Secretary; second by H. Tabet. M. Rael closed the nominations. Vote was taken. All in favor, 6-0. M. Koson is elected to the Secretary position.

M. Rael opened nominations for the position of Assistant Secretary/Treasurer. C. Stroud nominated R. Jones for the position of Assistant Secretary/Treasurer; second by H. Tabet. M. Rael closed the nominations. Vote was taken. All in favor, 6-0. R. Jones elected to Assistant Secretary/Treasurer position.

Committee Appointments and Committee Chair Appointments

M. Rael appointed R. Jones as chairman of the Finance and Audit Committee. R. Jones accepted the appointment. M. Rael appointed H. Tabet and C. Stroud as committee members.

M. Rael appointed C. Stroud as the Chair of the Operations and Security Committee. C. Stroud accepted the appointment. M. Rael appointed M. Koson and K. Hoeksema as committee members.

M. Rael will serve as the Ex-Officio committee member.

Announcements: M. Rael announced that next Board of Directors meeting is scheduled for Thursday, October 11, 2012 at 11 a.m.

PUBLIC COMMENT: There was no public comment.

ADJOURNMENT: M. Rael adjourned the meeting at 1:10 pm.