

**Regular Meeting of Board of Directors
New Mexico Lottery Authority
December 13, 2012
MINUTES**

Call to Order: Chair K. Hoeksema called the meeting to order at 11:14 a.m. K. Hoeksema asked for roll call. Present and constituting a quorum were; Mark Koson, Amy Bailey, Ken Hoeksema, Dan Salzwedel, Salvatore Baragiola and Clifford Stroud via phone. R. Jones absent.

Introduction of New Board Members: K. Hoeksema introduced and welcomed Salvatore Baragiola to the Board of Directors.

Oath of Office: K. Hoeksema administered the Oath of Office to S. Baragiola.

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, Linda Hamlin, Karla Wilkinson, Cynthia Heredia, David Maldonado, Bernadette Sanchez and Troy Alwin. Also present were Randy Reeves, General Manager of Intralot, Matt Worley, Richard Kilmer, Frank Duran and Karen McCallum with K2MD, Marshall Puckett, Lori Baca and Mary Smith, NM Attorney General's office.

Approve Proposed Agenda: K. Hoeksema called for a motion to approve the proposed agenda. T. Romero requested changes. Item 4, A,3 needs to be changed from reserve to revenue, Item C needs to be changed from Audit to Finance and remove item 4, C, 2 from Proposed Agenda. D. Salzwedel moved to accept the amended proposed agenda as stated by T. Romero; second by A. Bailey. All in favor, 5-0.

Approve Minutes of October 11, 2012 Board of Director's Meeting: K. Hoeksema called for a motion to approve the minutes from the October 11, 2012 Board meeting. D. Salzwedel moved to approve the minutes; second by A. Bailey. All in favor, 5-0.

C. Stroud joined board of directors meeting by phone at 11:20 am.

Executive Reports:

CEO:

Employee Recognition: T. Romero and the Board recognized Cynthia Heredia and David Maldonado for five years of service and Bernadette Sanchez and Andre Cordova for ten years of service.

General Update: T. Romero gave a brief update on the Lottery's current financial status. Powerball sales are ahead \$8.5 million at \$22.1 million compared to last year. Roadrunner Cash is up \$75,000 at \$3.3 million. Pick 3 is down \$102,000 at \$1.5 million. Mega Million is down \$116,000 at \$3.6 million. Hot Lotto is down \$243,000 at \$2.4 million. Hot Lotto is currently at a run up with a Jackpot of \$7.2 million. Quicksters, is at \$354,000 and sales for the first three months of FY '12 is at \$453,000. Quicksters are a steady game bringing in revenue. The lottery will launch two new quick style games on December 30th. Instant sales are behind \$1 million at \$30.5 million. Currently we are ahead at \$7.1 million compared to sales last year at this time; \$63.3 million versus \$56.5 million.

Powerball, \$2 sales have increased by 27%, while wagers have decreased 32%, compared to the \$1 price point sales. Due to the recent Powerball run up from October 6 thru November 28, the Jackpot was hit at \$579.9 million. Overall sales for the lottery were \$4.9 million and \$3.8 million, from November 24-28,

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2012. The lottery website received 17,000 visits compared to 1,900 daily visits. The lottery had a one million and a two million dollar winner(s).

T. Romero reported that there was a discussion held in the Finance/Audit committee meeting regarding the misconception on how the lottery is perceived relating to revenues and the Legislative Lottery Scholarship Fund. T. Romero will meet with Marketing and Communications on releasing statewide news release promoting the lottery and educating the public on disbursement of revenues.

T Romero reported that due to stalled sales, the Hot Lotto Group and MUSL voted in October to change the matrix and promote the jackpot after taxes. Therefore if the jackpot is promoted at \$1 million dollars, the player will win that \$1 million jackpot. The taxes will be paid within the sale of the game. The sizzler feature will not change, some lower prizes will change. The odds will slightly go up, from 1:16 (overall) to 1:17.2 (overall). The Hot Lotto changes will be effective May 15, 2013.

T. Romero reported that the 2013 legislative Session will begin on January 17th and will give an update on any legislative issues relating to lottery at the next Board meeting. T. Romero also reported that the legislative committee that was created at the last board meeting had a discussion on legislative issues on the lottery's statutory mandates and recommended that the CEO proceed with legislative issues in meeting with Legislators during the legislative session. Board gives consensus with the legislative committee for the CEO to proceed and meet with Legislators and discuss lottery's statutory mandates and any other issues that may come up during the 60-day session.

Board Resolution to Establish Contingency Reserve: T. Romero reported at the previous Board Meeting in October, there was a discussion on the 30% Statutory monthly return to the state; Board Member, A. Bailey suggested that legal review the statutes regarding the 30% return to determine whether it would require a statutory change or another legal format that would allow the lottery to hold back monies in excess of 30%, to help offset months that fell below the 30% and help with monthly expenditures and maximize the lottery's revenue. The lottery contacted our legal counsel (Conklin, Woodcock and Ziegler) and our representative with the Attorney General's office, Ms. Mary Smith to review the statutes and to determine if we could accomplish this goal through a resolution instead of a statutory change. It was determined that a resolution would accomplish this goal as adopted by the Board. The resolution is very specific, specific to the process and the monies cannot be used for any purpose other than to help balance the monthly 30% that is to be returned to the Legislative Lottery Scholarship Fund. And any monies left in that fund at the end of the fiscal year, will be returned to the Legislative Scholarship Fund. T. Romero presented Board Resolution to Establish Contingency Reserve and requested board consideration and adoption of said resolution.

K. Hoeksema called for a motion to approve the Board Resolution to Establish Contingency Reserve. C. Stroud moved to accept the Board Resolution to Establish Contingency Reserve; second by A. Bailey. All in favor, 6-0.

MARKETING: A. Binns presented a power point presentation/overview on the Marketing Department. Board members had several questions relating to marketing strategy during run ups, what is the lottery's approach to advertising/media/print media compared to other states, does the lottery get assistance from its vendors, what are the positive and negative issues. A. Binns and T. Romero responded to each question. Lottery will send weekly media news blast to all Board Members.

FINANCE:

Financial Statements: S. Jaramillo presented a detailed review of the October 2012 financial statements. With the transfer made at the end of last month, the Lottery has returned over \$341.8 million to the Legislative Lottery Scholarship Fund since inception of the lottery.

AUDIT:

Internal Audit Reports: M. Boland presented several Audit Reports for acceptance by the Board and would like to recommend that the Drawing Agreed Upon Procedures Services agreement be awarded to one of the successful vendors who responded to the RFP.

M. Boland presented recommendation to award the Drawing Agreed Upon Procedure Services Agreement. M. Boland reported that eighty-six (86) notices were sent out by the lottery and only two responses were received. The responses were evaluated by the evaluation committee appointed by the CEO. The evaluation committee would like to recommend and award the Drawing Agreed Upon Procedure Services to Atkinson & Co. for a period of four (4) years effective January 01, 2013. M. Boland is requesting board approval.

K. Hoeksema called for a motion to award the Drawing Agreed Upon Procedure Services agreement to the recommended vendor. D. Salzwedel moved to approve and award the Drawing Agreed Upon Procedure Services agreement to the recommended vendor; second by M. Koson. All in favor, 6-0.

M. Boland presented the Annual Audit Plan for FY 13. M. Boland reported that the Audit Plan was presented to the Audit Committee and is in progress. Several items are already in progress. M. Boland reported that the FY 2014 Audit Plan will be presented at the budget workshop Board meeting, to coincide with NMLA FY 2014 strategic planning and budgeting. M. Boland submitted the audit plan for acceptance by the board.

K. Hoeksema called for a motion to approve the Annual Audit Plan for FY 2013. D. Salzwedel moved to accept the audit plan; second by A. Bailey. All in favor, 6-0.

M. Boland presented the 13-002 – NMLA VIP Club August 2012 Player Survey Prize Drawing. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

K. Hoeksema called for a motion to approve the NMLA VIP Club August 2012 Player Survey Prize Drawing Audit report. D. Salzwedel moved to accept the audit report; second by M. Koson. All in favor, 6-0.

M. Boland presented the 13-003 – Scratcher Second Chance Cash Giveaway. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

K. Hoeksema called for a motion to approve the Scratcher Second Chance Cash Giveaway Audit report. D. Salzwedel moved to accept the audit report; second by A. Bailey. All in favor, 6-0.

M. Boland presented the 13-004 – Red or Green Chile Sweepstakes. M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

K. Hoeksema called for a motion to approve the Red or Green Chile Sweepstakes Audit report. D. Salzwedel moved to accept the audit report; second by M. Koson. All in favor, 6-0.

Board recommends that future names for the 2nd Chance Drawings be shortened.

BOARD CHAIR:

Announcements: K. Hoeksema announced that next Board of Directors meeting is scheduled for Thursday, February 07, 2013 at 11 a.m.

PUBLIC COMMENT: There was no public comment.

ADJOURNMENT: K. Hoeksema entertained a motion to adjourn the meeting. A. Bailey moved to adjourn the meeting. D. Salzyedel second. All in favor, 6-0. The meeting was adjourned at 12:54 a.m.

Ken Hoeksema, Chairman

Date 2/7/13

Amy Bailey, Secretary

Date 2/7/13