

**Regular Meeting of Board of Directors**  
**New Mexico Lottery Authority**  
**June 08, 2016**  
**MINUTES**

**Call to Order:** Board Chair Dan Salzwedel called the meeting to order at 12:04 p.m. and asked for a roll call. Present and constituting a quorum were: Mark Koson; Claude Austin, Dan Salzwedel, Paul Guerin and Sal Baragiola. A. Bailey and J. Kubiak absent.

Present from NMLA were; David Barden; Sylvia Jaramillo; Karla Wilkinson; Michael Boland, Wendy Creel, Pam Poteat and Wilma Atencio. Also present were; Steve Beck, Jon Zajdel, Andreana Borrego-Lewis, Fivi Rondiri with Intralot; Othiamba Uni and Jay with Think New Mexico; Sean Wells, Craig Fitzgerald with LINQ3; Justine Fox-Young and Adam Baker.

**Approve Proposed Agenda:** D. Salzwedel entertained a motion to approve the proposed agenda. C. Austin made a motion to approve the proposed agenda; second by S. Baragiola. Carried; 5-0.

**Approve Minutes of March 23, 2016 Board of Director's Meeting:** D. Salzwedel entertained a motion to approve the March 23rd minutes. S. Baragiola moved to approve the minutes; second by P. Guerin. Carried; 5-0.

**Public Comment:** Sean Wells, a 5th generation Artist and a member of the Spanish Colonial Arts society designed art for the NM Lottery called "Dia De Los Muertos" and Dia De Los Muertos "Legends of Southwest". S. Wells thanked the lottery and Board of Director's for the opportunity to have her art work become part of the NM Lottery Scratcher Product family. She stated it is a huge honor to have this bestowed upon her and to know that her art work has contributed to the Lottery Scholarship Fund.

**Finance/Audit – M. Koson, Committee Chair:**

**Approve Minutes of March 23, Finance Audit Committee Meeting:** M. Koson made a motion to approve the March 23, committee meeting minutes as presented; second by D. Salzwedel. Carried; 5-0.

**Financial Audit Services Independent Public Accountant (IPA) recommendation:** M. Koson reported that he, J. Kubiak and S. Jaramillo, along with M. Boland served as members of the RFP for financial audit services evaluation committee and that M. Boland presented the Financial Audit Services IPA Recommendation to the finance audit committee where it was vetted by the committee and approved and recommended to the full board for approval.

D. Salzwedel reported that the IPA firm selected is a new firm and that the board felt that it was time for a new firm based on current auditing protocols and statutory requirements.

M. Boland thanked evaluation members. This was a labor intensive process to evaluate all eight proposals. The successful vendor is "CliftonLarsonAllen LLP". They have a solid reputation locally and regionally with a comprehensive governmental and lottery experience with a strong information technology auditing experience and committed presence in the community. M. Boland requests approval by Board of Directors, subject to the State Auditors approval that CliftonLarsonAllen LLP be awarded the contract for one year, with an option for two additional years, a total of three years.

M. Koson made a motion to approve the Financial Audit Services Independent Public Accountant (IPA) Recommendation; second by D. Salzwedel. Carried; 5-0.

**FY 2017 Internal Audit Plan:** M. Koson reported that this item was vetted at the Finance Audit committee and the members had a few questions that were discussed. M. Koson advised there are minimal changes from the 2016 audit plan.

D. Salzwedel reported that the finance audit committee and full board requested the internal auditor to conduct a comparison and contrast by vetting our audit process with other US lotteries. The lottery is thorough within our own process and in line with other lotteries.

M. Boland reported that the audit plan is a dynamic document, flexible, able to incorporate any priorities that come up during the year that the lottery needs to address. The lottery is highly focused in the information technology area; it is our priority to ensure our systems are secure given the current environment and threats out there.

M. Koson made a motion to approve the FY 2017 Audit Plan; second by D. Salzwedel. Carried; 5-0.

**Network Testing:** M. Koson reported that this is an information item only and discussed at the finance audit committee meeting with a few follow up questions. M. Boland reported this item is information only but it speaks to the priorities that the lottery is addressing in information technology. The lottery wants to ensure board members and the public, that in this environment of cyber security risk, we are proactively protecting our systems as they are important to the goals and objectives of the lottery. The lottery's 3rd party vendor conducts penetration testing of our system on an annual basis. They also conduct semi-annual vulnerability scans to make sure we do not have holes internally or externally in our system and that we are following best practices. This applies to our web applications as well. The lottery receives comprehensive reports from the 3<sup>rd</sup> party vendor and is distributed to appropriate individuals within the lottery, including internal audit and the external auditor. The lottery is doing its due diligence in cyber security.

**Financial Statements:** S. Jaramillo provided an update on April 2016 Financial Statements. The lottery has returned more than \$39.2 million to the Legislative Lottery Scholarship program. With the transfer for April 2016, the lottery will have returned more than \$693.8 million to the State of New Mexico for education since the inception of the Lottery. The lottery is expecting that with the final two transfers for FY 2016, the lottery will surpass the \$700 million mark for education.

Net instant sales (after deducting prize, spoiled and stolen tickets) were approximately \$70 million and accounted for approximately 53.5% of net sales. Instant ticket sales have increased by nearly \$2.9 million this year compared to last year – an increase of 4.3%, surpassing the FY 16 Revised YTD budget by \$1.2 million.

Net drawing game sales were approximately \$60.8 million, which were nearly \$12.4 million more than the same time period last year. Powerball sales were \$38.6 million and were approximately \$14.5 million more than last year. The \$1.586 Billion dollar jackpot run-up for Powerball in January gave the lottery approximately \$18 million in additional Powerball sales. Prior to the 1.586 Billion dollar run-up, the lottery was at 80% of budget for Powerball. The Billion dollar sales helped us catch up and added some dollars to our Powerball sales. Mega Million sales were trailing last year by \$1.2 million and Hot Lotto by \$1.3 million. Both Roadrunner Cash and Pick 3 were ahead of last year by \$623,000 for RRC and \$261,000 for Pick 3.

Total Operating Revenues for the fiscal year were over \$130.8 million, which were \$1.6 million more than the FY 16 Revised YTD Budget and \$15.3 million ahead of the same period last fiscal year. Non-Operating Revenues were more than both the Revised YTD budget and last fiscal year by approximately \$1,500 and \$4,000, respectively.

Total Game Expenses were at 100.46% of the Revised YTD budget—while operating revenues ended at 101.24% of budget. Game expenses were 66.67% of Gross Revenues; the Budget was 67.19% of gross revenues.

Total Operating expenses ended at 3.30% of total Gross Revenues and total operating expenses at 91.52% of the YTD budget-net of reserve—all operating expense items were less than the Revised YTD budget.

One last line item on the financial statements is Interest Expense, listed at \$33,892. This is interest on the amount borrowed to purchase the building. When you add this interest expense to approximately \$39,000 in depreciation on the building and property taxes of \$28,600 for ten months, it totals about \$101,500. This \$101,500 is a “good” cost savings compared to the \$269,000 we would have paid in rent and property taxes for the same ten months – approximately \$168,000 in savings.

The Net Return to the Legislative Scholarship fund through April 2016 is nearly \$39.3 million, which is about \$255,000 more than the Revised YTD Budget or .65% more than the budget and nearly \$4.6 million more than the last fiscal year – a 13.23% increase that was transferred to the state.

No questions or further discussion.

**FY 2017 Consolidated Original Annual Budget:** S. Jaramillo presented the FY 2017 Consolidated Original Annual Budget. This original budget is in comparison to the FY 2016 Revised Budget approved in March 2016. This budget was reviewed in the Audit/Finance Committee. The major changes are:

- Increase of \$2 million to \$87.5 million for Instant ticket sales
- Decrease of \$6 million to \$36 million for Powerball sales
- Decrease of \$2.3 million to \$2 million for Hot Lotto sales
- Increase of \$2 million for a new game to replace Hot Lotto
- Increase of \$1.4 million in tickets provided as prizes for instant games. The lottery will be launching a new \$20 ticket in FY 17 that will have prize tickets. A breakeven win.
- Overall decrease of \$7.2 million to net ticket sales
- Decrease of \$5,793,000 to Prize Expense, due to the 30% mandate.
- Decrease of \$348,000 for Retailer Commissions
- Increase of \$860,000 for On-line vendor fees
- Increase of \$100,000 for Advertising
- Overall decrease of \$4,979,000 for total game expenses
- Decrease of \$60,000 for operating expenses
- Decrease in Net Income by \$2,163,000 to \$43,200,000, because there is no certainty that we will have another jackpot run up in FY 2017, especially at 1.5 Billion.

S. Jaramillo requests approval of the FY 17 Consolidated Original Annual Budget.

D. Salzwedel reported that he wants it known how effective and efficient this operation really is. NMLA is still under 4% in terms of operational expenses, which encompasses salaries, operation expenses and everything in between that. The projection for FY 2017 is under 3%. No other state agency, quasi or

instrumentality is efficient and effective as the lottery and to continue to operate under 4% and projected 3% for next year is incredible. The CEO and staff need to be commended.

Board members had questions on prize expenses, prize tickets and retailer commissions. S. Jaramillo reported that the lottery is reducing the prize expense amount because sales are on a downward trend. In order to balance and meet the 30% requirement, the prize expense/payout was brought down to 53.56% to

balance the budget. The lottery would've liked to keep the prize expense at 54% or 55%, but couldn't do that. It is difficult to decrease payout and expect sales to go up, especially instant ticket sales. When you decrease prize expenses, locally and nationally, it impacts sales. When players experience higher payouts, the trend is that sales will increase.

D. Barden reported by decreasing prize expense to meet the payout requirement, you're actually affecting sales and profits. D. Barden also stated that the reason we need prize tickets in a game is to reduce the actual prize payout on a game. Using prize tickets has a minimal impact on the lottery, so we can add additional prizes in the game and the game pays out the same as a higher prize percentage payout game. It's not something lotteries like to do, but it's something you have to do.

S. Jaramillo reported that retailer commission is at 6.5%; we pay retailers 6% and 1% for cashing commission up to \$600.

M. Koson reported that the lottery should be commended on operating effective and efficient on 3.3% of budget. He's not aware of any other lottery operating at that level with a required mandate, other than Oklahoma. D. Barden reported that there are other states that have mandates, but due to their business model it doesn't impact them as it does the NM lottery. Not all lotteries contribute to education, like the lottery.

M. Koson made a motion to approve the FY 2017 Consolidated Original Annual Budget as presented; second by D. Salzwedel. Carried; 5-0.

**Disposal of Obsolete, Worn Out or Unusable Tangible Personal Property:** M. Koson reported that S. Jaramillo presented the Disposal of Obsolete, Worn Out or Unusable Tangible Personal Property to the Finance Audit Committee. Committee members reviewed and vetted the list provided by S. Jaramillo. The committee further recommends that this item be approved by the Board of Directors and request S. Jaramillo provide a brief overview.

M. Koson made a motion to approve the Disposal of Obsolete, Worn Out or Unusable Tangible Personal Property as presented; second by P. Guerin. Carried; 5-0.

**Other:** None.

#### **Operations – S. Baragiola, Committee Chair:**

**Approve Minutes of March 23, Security Operations Committee Meeting:** S. Baragiola made a motion to approve the March 23, committee meeting minutes as presented; second by P. Guerin. Carried; 5-0.

**New Mexico Lottery Authority Rules for Online Games:** S. Baragiola reported that the committee reviewed and vetted the NMLA Rules for Online Games and Terms and Conditions for Online Game Purchase Policy and Procedure in its entirety.

S. Baragiola made a motion to approve the red-lined changes for Rules for Online Games; second by P. Guerin.

S. Baragiola reported that the operations committee had a discussion to strike item #18 of the NMLA Rules for Online Games in its entirety and defer to the CEO Policy Adoption Authority. In addition, all policies that have the same wording as item #18 should be deleted, renumbered and have an umbrella policy in the CEO Policy Adoption Authority to change rules and present those modifications to the Board for approval rather than it appear in all policies. The committee took the CEO Policy Adoption Authority and added the term "rules" to be added after "adopt policy, *rules*" and changed the word

“ninety” to 180 days, so that the changes that occur in between board meetings can be approved and then to board for approval. If these changes aren’t made, the language for #18 from NMLA Rules for Online Games will appear in all policies. This same language appears in the Terms and Conditions for Online Game Purchase.

D. Barden reported that these are minor technical changes. Roadrunner Cash and PICK 3 drawings will occur 7 days a week, instead of 6 days; References to the Monopoly Game have been removed, the game is no longer used; changed the term playslips to “printed playslips”; removed references to the next policy that will be discussed - Terms and Conditions, ticketless transactions and all other changes were minor in nature.

D. Salzwedel advised that the original motion and second will need to be rescinded and a new motion with the changes will need to be stated again.

S. Baragiola made a motion that the Board approve the NMLA Rules for Online Games as presented and striking #18 in its entirety, renumber policy accordingly and approving the CEO Policy Adoption Authority with those changes mentioned; second by P. Guerin. Carried; 5-0.

**Intralot Mobile App Presentation:** D. Barden reported the lottery has discussed mobile app applications in previous meetings and implementing a mobile app application provides a convenience for our players. Our contract with Intralot stipulates that they’re to provide the lottery with a mobile app application. D. Barden introduced Ms. Fivi Rondiri, Marketing Group with Intralot who will present a power point presentation of Intralot’s Mobile App that is currently being used in Greece call OPAP. Ms. Rondiri presented a presentation on how the mobile app and companion app works.

- The app is free and downloadable through iTunes or Google Play
- Users must create an account - a 2 step process
- Select games offered by the lottery (Online or Scratchers)
- Create your own playslip for your favorite game. A player can select their own numbers; shake the phone or dice to select a quick pick.
- Receiving notifications on your favorite games and other notifications available
- Store and create coupon as a QR code and scan it any retailer
- Cannot purchase an online ticket with this mobile app.
- Check/scan your ticket
- Find all draw results for all games, stats and historic information
- Learn about responsible gaming
- The lottery can create the layout of the mobile app and advertise what they want from lottery products, drawing information, responsible gaming, upcoming events, etc.
- Find the nearest retailer
- \$75.00 limit per week (Sunday thru Saturday)

With this mobile app, the lottery can set any parameters it wants, such as running a full app that includes purchasing online tickets, age verification, adding any games/scratcher information, adding payment information, advertising, VIP Club points and other possibilities. Ohio currently uses this app and Montana will be deploying the app soon.

The NMLA desires to proceed with the mobile app in a limited capability of scanning tickets, creating playslips and checking numbers. By launching this mobile app even in a limited capacity, would be a cost saving feature. The lottery wouldn’t have to purchase additional equipment to check tickets and the mobile app is part of the contract so there is no additional cost to implement. Launching the full mobile app is dependent on the Boards authorization to allow the CEO to proceed.

D. Salzwedel reported that the full board is aware of the mobile app application and wants it implemented. D. Barden reported if the lottery proceeds with the limited app, this will take 3-4 months to implement and will occur in two launches – looking at September 2016. The full app will take longer and would come online in early 2017.

**Play-At-The-Pump Presentation:** D. Barden introduced Mr. Craig Fitzgerald with LINQ3. C. Fitzgerald stated he's been with LINQ3 for five years and has 29 years of lottery experience. C. Fitzgerald reported that it took five years to offer and implement Play-At-The-Pump feature. It took 2.5 years to surpass a couple of regulatory hurdles with DCI – data compliance and another 1.5 years to work with MUSL and the MUSL Rules. This system is complex and secure. C. Fitzgerald presented a video on Play-At-The-Pump and how easily this feature can be implemented at no cost to the lottery or retailer.

- Installation of software using existing updated/newer gas terminals. Older gas terminals need to be updated first.
- No cost to lottery or retailer
- Offers online games - Powerball and Mega Millions
- Using Debit card to purchase tickets
- Quick Picks only
- Numbers are printed on fuel receipt
- Purchase of fuel is required
- \$75 limit per week; players can purchase up to \$20 of online tickets; minimum purchase is \$5
- Age verification is required when using Play at the Pump; players will enter their DOB information prior to purchase, if the age verification isn't verified, the purchase of online tickets cannot be completed, but players can still purchase their fuel. The age verification is based on the players debit card and the card company which stores all pertinent information via web/internet.
- Cancellation feature

**Terms and Conditions for Online Game Purchases:** D. Barden reported that the purpose of the policy was to expand and to allow for Play-At-The-Pump purchases or sales. Lottery had its outside counsel assist with the policy and the contract. D. Barden is comfortable with the changes made to the policy. The bulk of the changes deal with Play-At-The-Pump and its features such as using a debit card; the purchase of fuel in order to buy online tickets and other technical features. All the changes are highlighted in the red line policy and these changes also carry over to the contract, which Mr. Adam Baker, will address in the next section. D. Barden will request approval to enter into a contract with LINQ3 for the purpose of providing technology, which is a sole source technology to our retailers to sell at the pump at those locations. The policy and contract go hand in hand and enhance and build upon those concepts. No other technology needed. LINQ3 will provide software updates. Outdated fuel pumps will need to be updated before Play-At-The-Pump could be offered at those locations. No processing fee for the lottery. Age verification with a third party vendor and is 98% accurate. If the age verification doesn't get verified, player can't buy a ticket. Numbers can be texted to the player. Any winnings \$600 and under will automatically be returned to your account when Play-At-The-Pump feature is used. There will be no unclaimed prizes with Play-At-The-Pump. Lottery feels that this feature is an enhancement to the program. If a jackpot is won, the retailer commission gets split between the retailer and LINQ3. Tickets can be reprinted inside the retailer that offers the Play-At-The-Pump. All financial transactions can be tracked on the back end by the vendor. If a player wins over \$600, the player must bring their debit card to the lottery for an added verification process. If you lose your debit card, there are features built in that will verify your bank account for payment. This is more secure than purchasing at a retailer. There is a \$75 rolling amount per week and up to \$20 per transaction. There will be 111 pumps with Murphy Oil at initial implementation. There is a convenience fee for the player/consumer. D. Barden reported that Play-At-The-Pump and the Mobile App Application take the lottery into the future, grow and target the millenniums of our generation. Currently five lotteries offer the Play-At-The-Pump – California lottery is the latest.

S. Baragiola made a motion to accept all the red lined changes, deleting item #9 (page 28), under miscellaneous of the Terms and Conditions for Online Game Purchase Policy; second P. Guerin. Carried; 5-0.

**Vendor Contract:** S. Baragiola reported that the committee didn't go into executive session or into detail about the vendor contract, but deferred to the Board of Director's meeting. D. Barden reported that with the lottery counsel present the executive session is not necessary. In addition the vendor contract with LINQ3 who provides the technology for Play-At-The-Pump is a sole source provider. Mr. Adam Baker, lottery counsel has worked on the contract for quite some time and will provide an overview of the contract. D. Barden further stated that any contracts over \$75,000 by policy requires Board approval and with approval the board allows the CEO any necessary actions to facilitate the contract/agreement in its entirety with the best interest of the lottery.

Adam Baker co-counsel with Justine Fox-Young reported that this vendor contract is being done as sole source procurement. The CEO has written a memo justifying the sole source for this particular lottery product/service. There are several factors that justify this requirement, such as: the unique nature of the software offered by the vendor and its protection by intellectual property rights which include a patent trademark portfolio; LINQ3's unique vendor relationship that provides for the sole source of lottery products through terminals point of sale; No out of pocket expenditure required by the lottery; Intralot contract provides for the implementation of the LINQ3 functionality; no additional cost to integrate the LINQ3 software and the method of payment for using LINQ3 under the terms of this contract.

The Termination provision is very broad but has your standard language. Under section 10-22 of the agreement the lottery can unilaterally terminate the agreement upon written notice to LINQ3. *Most of this section has been taken from the lottery statutes and/or Retailer Contracts.* LINQ3 is considered a lottery contractor contracted for lottery services. Some reasons to terminate the agreement: No appropriation authorized by the Board for continued use of Play-At-The Pump; Violation of NM Lottery Act; Failure by LINQ3 to accurately or timely account for: lottery tickets; lottery games; revenues or prizes; Fraud, deceit, misrepresentations in connection with the agreement by LINQ3; Any director or officer of LINQ3 is convicted of a criminal offense that the lottery's reasonable judgement adversely reflects the integrity of the company; LINQ3 fails sales goals established by the lottery; LINQ3 engages in conduct prejudicial to public confidence in the lottery; files for bankruptcy and others outlined in the agreement.

Mr. Baker, counsel for the lottery stated, that the contract meets all the requirement of state law, lottery act and NMLA's policy and procedures and rules and regulations and that there is no reason that the lottery may not sell at the "pump" in his opinion. In addition, the lottery will follow the procurement code by posting a notice on the website at least 30-days prior to awarding the contract. This allows competitors a 15-day period to file a protest. The target date of implementation is July 31, 2016. The NM Lottery would be the sixth state to offer Play-At-The-Pump and the first with Intralot as the online vendor. This contract is a two year contract, on a per month basis with an option to renew for one additional year, not to exceed three total years.

D. Salzwedel asked if there is a dissolving period. Can contract be terminated by either party, the length of time to terminate and is there a restitution requirement in either case? A. Baker stated that under the termination section, there is no cost to the lottery to terminate for any of the items listed in the contract; however, under section 10-2, if the lottery decided to terminate without any cause there would be payment required to LINQ3 and that is \$40 thousand for each month remaining on the initial term of the contract and this sum would need to be paid at one time net 30 days. D. Barden indicated that the initial amount was much larger, but with continued discussed with LINQ3, this amount was lowered to \$40 thousand. D. Barden reported there are a number of ways around the termination clause built into the contract that benefits the lottery. Since there is not initial cost to the lottery for this feature, the lottery

could simply wait for the contract to end or if the board decided there would be no appropriation by the board for continued use of Play-At-The-Pump. The \$40 thousand payment would only come into effect if the lottery decided to terminate the contract with LINQ3 for no reason.

D. Salzwedel queried Mr. Adams again, stating I want to make sure that it is your legal opinion that the lottery is not prohibited from this type of sales activity, i.e. purchasing lottery at the pump with a debit card, and Mr. Adams responded that in his legal opinion there were no prohibitions for this type of transaction.

S. Baragiola made a motion to allow the CEO to enter into contract with LINQ3 for the purpose of implementing Play-At-The-Pump; second by P. Guerin. Carried; 5-0.

**OTHER:** None.

**CEO Update:** D. Barden provided a brief overview of lottery operations with a short presentation. D. Barden reported the lottery operations are currently operating at 108% of the Original Budget. The lottery is having an exceptional year. D. Barden presented his slideshow that detailed the lottery's prize payout, sales information and return to the state from 2007 to 2016. A historical information of what has occurred at the lottery since the required mandate took effect in 2007 with a 27% return; in 2009 the mandate increased to 30% through the current FY 2016 in terms of prize payout and the returns to the State, specifically the Legislative Lottery Scholarship Fund. Some highlights of the presentation:

Lottery cut unfilled position from 70 to mid-30s

Prize Payout:

2007 – 64% (*this amount is close to industry standards*)

2008-2012 – 58% (*downward slope, lottery didn't keep average it continued losing an estimate of lost sales of \$217 million and \$35 million to the scholarship fund according to lottery vendor. The lottery estimates \$50 million to the scholarship fund*)

2013 – Best online sales ever (*Online sales can actually camouflage what happens on the scratcher side. In 2013, there were bigger and more jackpots in any one year*)

2014 – 58% to 60.1% (*increased prize payouts on \$1, \$2, and \$5 games; cannot bring up entire portfolio at one time - build incremental value to them*)

2015-2016 – 63.8% (*lottery on the upward trend; the continued management of the required mandate of 30% will cause the lottery to pull back on the prize payout once again*)

D. Barden reported that it has been stated often during the legislative session that the 30% mandate, resulted in more money being returned to the scholarship fund which is not the case. It takes 6 months to 1 year to impact sales when you make changes to the prize payout, scratcher games are being rotated in and out and the lottery must have the right mixture of games out to see an increase.

Sales are up 23.4% over the past two FYs, which is a huge success for the lottery. This resulted: due to increasing prize payouts; putting out new games with different themes; marketing and advertising promotions; and by providing incentives in the VIP Club and 2<sup>nd</sup> chance promotions. Sales have increased 2.6% for every 10%. Profits have increased 2.3% for each 10% increase in prize payouts. The lottery will continue managing the required mandate, but without relief of the mandate in the near future, the lottery will continue pulling back on its prize payout for scratchers, which will translate to lower sales, less profits to the scholarship fund.

Other projects in the works:

- During the State Fair the lottery will offer some sort of couponing during the 10-day.



- All Jackpot signs will be replaced with digital signs/screens, including the sign at the lottery office. By switching to digital signs/screen this will provide more flexibility in advertising of our online jackpots, scratchers, player responsibility and anything else the lottery desires.
- Lottery and Intralot completed retailer training on the new machines (Photons) throughout the state. 800 retailers participated in this event from Farmington, Taos, Albuquerque, Roswell and Las Cruces.
- Lottery has a new promotional vehicle and recently used at the Mother's Day event in Taos. The existing trolley trailer will be retired after 18 years. The new promo vehicle is better suited for events because you won't need additional staff to transport the vehicle and is a self-contained vehicle and only need limited staff for promotional events.
- Hot Lotto game will be ending in early 2017 and will be replaced with a new MUSL Daily jackpot game similar to a progressive game. The jackpots will grow until won.
- The CEO will be presenting a presentation called "Economic Value of the Lottery" at the next Western Petroleum Association conference. Retailer commissions are approximately \$9 million each year.

**Other - Mobile App Recap:** D. Barden further reported that Intralot would not proceed with programming the full app with sales capability until the Board has approved mobile sales. Therefore, the app being launched would not include the purchase of online tickets. There are two options to the mobile app application, one feature allows players to check and scan their tickets, create playslips of their favorite games and view historical data and stats; the second feature is the full blown app that allows players to insert their payment information, purchase online tickets, check and scan tickets, create playslips and view historical data and stats. There is no financial responsibility to the lottery for implementing the mobile app. This is part of the contract with Intralot to provide a basic functioning mobile app without the purchase of tickets. Should the lottery decided to implement the comprehensive mobile app, the lottery must obtain approval from the Board of Directors to proceed.

M. Koson recommends that the Board and lottery proceed with implementing the mobile app application in its full capacity, which includes online game purchases.

S. Baragiola made a motion for the Board to give the CEO the authority to move forward with the development and implementation of the mobile app with the understanding this includes the mobile app to sell; second by P. Guerin. Carried; 5-0.

**Personnel – A. Bailey, Committee Chair:**

**Approve Minutes of May 05, 2016 Finance Audit Committee Meeting:** M. Koson made a motion to approve the May 05, committee meeting minutes as presented; second by D. Salzwedel. Carried; 5-0.

**Personnel Matter - CEO:** M. Koson made a motion that the Board authorizes the Chairman to take such administrative actions, as may be necessary and prudent to implement and ratify the CEO's agreement for compensation and that the terms of the agreement be effective immediately; second by D. Salzwedel. Carried; 5-0.

D. Salzwedel reported that the CEO has met the performance measures and will continue through next year. The evaluation process was lengthy and on a scale of 1-4, the CEO met all expectations with a median score of 3.92. The CEO's agreement has been extended one additional year with a small compensatory increase and all other provisions will remain similar.

**Other: Board of Director Officer Elections:** D. Salzwedel reported that by policy the Board Officer Elections is conducted annually. The election process could be done individually, collectively or if there is no change to the current standings, the board can proceed.

C. Austin made a motion that the Board Officers stay in the same position including committee appointments for the next year; second by P. Guerin. Carried; 5-0.

Current Board Officer Positions are:

- D. Salzwedel – Chair
- M. Koson – Vice Chair
- John Kubiak – Secretary/Treasurer
- Amy Bailey – Assistant Secretary/Treasurer
- Sal Baragiola – Board Member
- Claude Austin – Board Member
- Paul Guerin – Board Member

**Committee Appointments and Committee Chair Appointments**

Operations  
 Sal Baragiola, Chair  
 Claude Austin  
 Paul Guerin

Finance/Audit Committee Members:

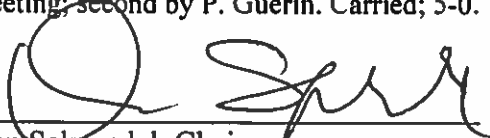
- Mark Koson, Chair
- Dan Salzwedel
- John Kubiak

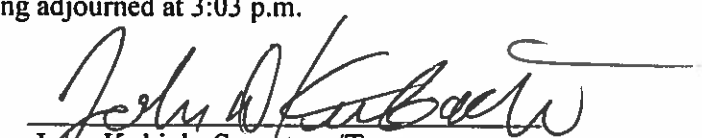
Personnel Committee Members:

- Amy Bailey, Chair
- Mark Koson
- Dan Salzwedel

**Other Items:** D. Salzwedel thanked the audience, CEO and staff for today’s Board of Director’s meeting; there were lots of items that were discussed and approved.

**Adjournment:** D. Salzwedel entertained a motion to adjourn. S. Baragiola moved to adjourn the meeting; second by P. Guerin. Carried; 5-0. The meeting adjourned at 3:03 p.m.

  
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 Dan Salzwedel, Chairman  
 Date 8/17/16

  
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 John Kubiak, Secretary/Treasurer  
 Date 8-17-16