

**Finance Audit Committee Meeting**  
**New Mexico Lottery Authority**  
**April 09, 2015**  
**MINUTES**

**Call to Order:** Operations Committee Chair M. Koson called the meeting to order at 11:07 a.m., and asked for a roll call. Present and constituting a quorum were Mark Koson and Dan Salzwedel. J. Kubiak absent.

Present from NMLA were David Barden, Sylvia Jaramillo and Wilma Atencio.

**Approve Proposed Agenda:** M. Koson called for a motion to approve the proposed agenda. D. Salzwedel moved to accept the proposed agenda as presented; second by M. Koson. Carried; 2-0.

**Public Comment:** No public comment.

**Administrative Building:** D. Barden advised there will be no Executive Closed Session for this item as it will be discussed in open session. D. Barden reported that he was charged with cost savings measures and one area was looking into the lottery owning its own building. As discussed in previous meetings, the lottery has been looking at buildings and negotiating with the owners of the current building at 4511 Osuna Road. The lottery has agreed to terms with the sellers of current building with the approval of the board. The original price for the 4511 Osuna Road building was listed at \$3.9 million and came down to \$3.5 million dollars. The lottery received a signed document from the seller with a final price of \$2.7 million dollars. This will result in a \$1.4 million dollar cost savings over the terms of 13 years left on the original lease. D. Barden drafted a resolution for the procurement of the 4511 Osuna Road building. This resolution will allow the CEO to enter into a contract for the purchase of the existing building and authorize expenditure of such funds as may be necessary to conclude the transaction with any and all cost associated with procuring the building. Discussion of financing, banking institutions and amortization schedules were discussed in lengthy detail. The lottery will evaluate the amount of a down payment and finance the remaining balance. D. Barden requests that the Board approve this resolution.

D. Salzwedel made a motion that the Finance Audit committee recommends that the CEO proceed and consults with the Finance Audit Committee on any terms and conditions on building purchase; second by M. Koson. Carried; 2-0.

**FY '15 Consolidated Revised Annual Budget:** S. Jaramillo reported that she will be presenting the FY 2015 revised budget. This budget will reduce net sales by \$4.7 million dollars and net returns by \$1.4 million. This reduction is attributed to Powerball being reduced by \$8 million dollars. Even with a PB run up, we couldn't meet our budget. At the end of February, the lottery was at 82% of its budget. The significant changes are:

- increasing instant sales by \$5,000,000;
- decreasing Powerball sales by \$8,000,000;
- increasing Mega Millions by \$3,000,000;
- decreasing Monopoly Millionaires' Club by \$2,579,000;
- increasing Hot Lotto by \$1,000,000; and
- decreasing Lucky Numbers Bingo by \$3,250,000
- decreasing net ticket sales by \$4,766,000.

Direct Game expenses for prize expense, retailer commissions, on-line vendor fees, and ticket vendor fees have been decreased to reflect the changes in sales along with decreases in the budgets for advertising,

promotions, shipping and postage, and drawing game expenses. Salaries, Wages and Benefits have been adjusted by nearly \$450,000. This change has mainly occurred with the re-organization of the lottery and the elimination of some positions through attrition and the transferring of positions within the Lottery. With the decrease in sales of \$4.7 million, the return to the Legislative Scholarship fund has also been reduced by \$1.4 million. This budget will return 30% to the scholarship fund.

**Financial Statements:** S. Jaramillo will provide a detail update on February financials at the Board meeting.

**Accounts Payable Audit Report (revised) and Recommendations:** D. Barden reported that staff met on this audit report and its recommendations and all are in agreement with this report. The recommendations will be implemented. D. Barden requests the Finance Audit committee to accept the report based on conversations at the last committee meeting back in January 2015.

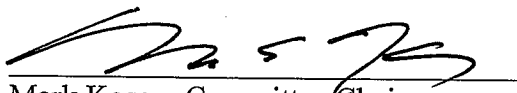
M. Koson, Committee Chair accepted the report on behalf of the committee.

**Financial Audit Services Award:** D. Barden reported that the Financial Audit Services award be accepted by the board and award the final one year extension to Moss Adams. This is the final extension of a three-year contract. The terms, conditions and cost remain the same as the previous year. A new RFP will be going out next year.

M. Koson, Committee Chair approves the final extension of the Financial Audit Services Award on behalf of the committee.

**Other:** None.

**ADJOURNMENT:** D. Salzwedel moved to adjourn the Operations Committee meeting; second by M. Koson. Carried; 2-0. Meeting adjourned at 11:53 a.m.

  
 Mark Koson, Committee Chairman  
 Date 6/10/15