

**Special Meeting of Board of Directors
New Mexico Lottery Authority
February 21, 2018
MINUTES**

Call to Order: Board Chair Dan Salzwedel called the meeting to order at 10:17 a.m. and asked for a roll call. Present and constituting a quorum were: Mark Koson; Amy Bailey, Aubrey McGowen, Dan Salzwedel, John Kubiak, Paul Guerin and Sal Baragiola.

Present from NMLA were; David Barden; Sylvia Jaramillo; Karla Wilkinson, Wendy Ahlm, Vanessa Mellone and Wilma Atencio.

Also present were; Thom Cole, Santa Fe New Mexican; Toben Molica, VP of Strategic Business Plan with Scientific Games International (SGI);

Introduction of New Board Member: D. Salzwedel introduced and welcomed Aubrey "Butch" McGowen.

Oath of Office: D. Salzwedel administered the Oath of Office for A. McGowen.

Approve Proposed Agenda: D. Salzwedel entertained a motion to approve the proposed agenda. J. Kubiak made a motion to approve the proposed agenda; second by A. Bailey. Carried; 7-0.

Public Comment: None.

REPORTS:

CEO Update:

Open Meetings Notice Resolution: D. Barden reported that the Open Meetings Notice Resolution is a document that the lottery follows when conducting Board and Committee meetings as dictated by the Open Meetings Act. This document needs to be approved annually by the Board of Directors.

D. Salzwedel entertained a motion to approve the Open Meetings Notice Resolution. A. Bailey made a motion to approve the Open Meetings Notice Resolution; second by P. Guerin. Carried, 7-0.

Security and Operations Committee – S. Baragiola, Committee Chair:

#18-001 Instant Ticket Printing and A Player Loyalty Program RFP: S. Baragiola reported that the RFP for Instant Ticket Printing Services and A Player Loyalty Program was presented, reviewed and vetted by the committee. The committee recommends that the RFP be accepted and awarded to the successful vendor and further recommends that the RFP be submitted to the Board for acceptance, approval and award of a contract to the successful bidder.

D. Barden reported that every 8-10 years the lottery puts out an RFP for either the Online Gaming System and Instant Ticket Printing Services. This past year the lottery issued an RFP for Instant Ticket Printing and A Player Loyalty Program in October 2017. The last RFP issued for Instant Ticket Printing was 2009. Scientific Games International (SGI) was the primary vendor from startup 1996 to 2009. In 2009, International Gaming Technologies (IGT) won the bid with its best and final offer. SGI did not submit a best and final offer due to some ongoing issues with the lottery and the 30% mandate. Vendors are aware of NM's 30% mandate and difficulty in growing profits for its scratcher program; SGI decided to pull out and not submit a best and final offer in 2009.

D. Barden reported that scratcher sales are on a downward trend. The \$20 scratcher was pulled last year, because the lottery couldn't afford the prize structure and there's been discussion on pulling the \$10 scratcher tickets. This is a result of the legislature wanting the unclaimed prize fund for the lottery tuition fund. Over the last 10 years, the lottery has used the unclaimed prize fund about 82% of the time to meet the 30% return for the scholarship fund. Without the unclaimed prize fund, the lottery cannot meet the 30% return.

D. Barden reported that a decoupling bill was introduced at the recent legislative session, which now has been signed by the Governor which states that students will now receive a portion of the tuition fund based on what post-secondary institution they attend. However, the baseline used to determine the amounts each student would receive was based upon the lottery returning \$35 million a year to the scholarship fund, which is in contrast to what the legislators wanted to impose in the lottery's bill. The initial return in HB 147 was \$38 million and was increased to \$40 million, plus the unclaimed prize fund and a 15% cap on Operations. It makes you wonder, why all the different amounts are being introduced.

D. Barden reported that after a successful best and final offer negotiations, the successful bidder is Scientific Games International. SGI is a good vendor and a highly successful company that has headquarters/operations in over 6 continents with over 8,400 employees worldwide. The lottery received a very good bid and we look forward to the future with SGI.

K. Wilkson reported that the RFP was issued in October 2017 for both the Instant Ticket Printing Services and A Player Loyalty Program. The RFP was written as one but was evaluated and scored separately by two different committees and two contracts will be issued.

The lottery received two proposals for the Instant Ticket Printing and Related Services – SGI and Pollard Banknote. IGT did not bid. Based on the technical scoring and cost, the evaluation committee recommends SGI and requests the CEO enter in to negotiations with SGI for the Best and Final Offer (BAFO) as the Primary Instant Ticket Printer and Pollard Banknote as the Secondary Printer.

K. Wilkinson reported that the effective rate with our current vendor, IGT, is 1.55% of net sales. SGI's Best and Final Offer as a revised rate of 1.599% of net sales. That is a reduction of 0.191% from the submission price of 1.79%. This reduction will provide the lottery a savings of over \$1,130,720 over the base term of six years (6) plus two (2) one-year options for a total of eight (8) years. SGI will be providing over \$1.6 million in added printing options, at no cost to the lottery. This brings the effective rate down to 1.27% of net sales. As a result of the final negotiations, the lottery will realize a savings of approximately \$2,730,720 over the eight-year contract period.

D. Salzwedel asked how does the 1.27% rate compare nationally? D. Barden reported it is a good rate. Not all lotteries report their rate and some are based on percentages or cost per thousand, but the lottery has a good rate at 1.27% of net sales with the no cost options.


J. Kubiak asked if the new contract will cost more than what we currently pay now? D. Barden reported the lottery currently pays 1.55% plus any additional ticket printing options that the lottery requests. With the new contract, the lottery will pay 1.599% and the lottery will receive 16 options per year with a value of \$230K a year, which will bring our cost down to essentially 1.27%. The new contract will be less than what we pay now; however, if there are more ticket sales, the cost will increase.

S. Baragiola made a motion that the Board approve and award both the RFP the Instant Ticket Printing a full eight years and A Player Loyalty Program for a two-year period with options to the successful vendor Scientific Games International (SGI) as the Primary Printer and Pollard Banknote Limited as the Secondary Printer for the Instant Ticket Printing services; second by P. Guerin. Carried; 7-0.

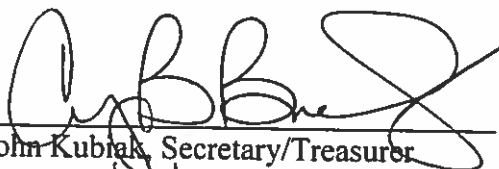
Other: None.

Other Items: D. Salzwedel provided a brief update on the recent legislative efforts. The Board, CEO and lottery staff will continue with its legislative efforts in the upcoming year.

Adjournment: D. Salzwedel entertained a motion to adjourn. M. Koson moved to adjourn the meeting; second by J. Kubiak. Carried; 7-0. The meeting adjourned at 10:52 a.m.



Dan Salzwedel, Chairman
Date 3/20/18



John Kubiak, Secretary/Treasurer
Date 3/20/18