

Regular Meeting of Board of Directors
New Mexico Lottery Authority
October 11, 2012
MINUTES

Call to Order: Vice Chair K. Hoeksema called the meeting to order at 11:00 a.m. K. Hoeksema asked for roll call. Present and constituting a quorum were Mark Koson, Amy Bailey, Ken Hoeksema, Reta Jones, Clifford Stroud and Dan Salzwedel.

Introduction of New Board Members: K. Hoeksema introduced and welcomed Dan Salzwedel and Amy Bailey to the Board of Directors.

Oath of Office: K. Hoeksema administered the Oath of Office to both Dan Salzwedel and Amy Bailey.

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 and Randy Bertram. Also present were Randy Reeves, Interim General Manager of Intralot, Matt Worley, Vicki Spradlin, Gary Smith of GPC, John Zeigler with Conklin, Woodcock, Ziegler, P.C., Scott Eliason with Moss Adams, Lori Baca (Private Citizen), Jerry Eichel with Big Byte and Mary Smith, NM Attorney General's office.

Approve Proposed Agenda: K. Hoeksema called for a motion to approve the proposed agenda. D. Salzwedel moved that the agenda be accepted as presented; second by A. Bailey. All in favor, 6-0.

Approve Minutes of August 30, 2012 Board of Director's Meeting: K. Hoeksema called for a motion to approve the minutes from the August 30, 2012 Board meeting. R. Jones moved to approve the minutes; second by M. Koson. All in favor, 6-0.

Board Officer Elections:

K. Hoeksema advised Board of Director's that M. Rael, former chairman and H. Tabet were replaced after the August 30, 2012 Board of Director's meeting with D. Salzwedel and A. Bailey. After a brief discussion on how to proceed, the Board members agreed to proceed with new board elections.

K. Hoeksema opened nominations for the position of Board Chair. D. Salzwedel nominated C. Stroud for the position of Board Chair; second by A. Bailey. M. Koson nominated K. Hoeksema for the position of Board Chair; second by R. Jones. There were no other nominations for this position and a vote was taken. C. Stroud received two votes and K. Hoeksema received four votes. K. Hoeksema was elected to Board Chair position.

K. Hoeksema opened nominations for the position of Vice Chair. R. Jones nominated C. Stroud for the position of Vice Chair; second by D. Salzwedel. K. Hoeksema closed the nominations. Vote was taken. All in favor, 6-0. C. Stroud was elected Vice Chair.

K. Hoeksema opened nominations for the position of Treasurer. C. Stroud nominated D. Salzwedel for the position of Treasurer; second by A. Bailey. K. Hoeksema closed the nominations. Vote was taken. All in favor, 6-0. D. Salzwedel was elected Treasurer.

K. Hoeksema opened nominations for the position of Secretary. R. Jones nominated M. Koson for the position of Secretary; second by K. Hoeksema. D. Salzwedel nominated A. Bailey; second by C. Stroud. There were no other nominations for this position and a vote was taken. M. Koson received two votes and A. Bailey received three votes. K. Hoeksema abstained. A. Bailey was elected to the Secretary position.

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

Executive Session:

At 11:16 a.m., K. Hoeksema called for a motion to move into executive session for Financial Audit Exit Conference. The Executive Staff, M. Boland and S. Eliason were asked to stay for the Executive Session. A motion was made by C. Stroud to enter into closed executive session for the purpose of discussing Financial Audit Exit Conference only; second by D. Salzwedel. A roll call vote was taken to enter into executive session: M. Koson, yes; A. Bailey, yes; K. Hoeksema, yes; R. Jones, yes; C. Stroud, yes and D. Salzwedel, yes. All in favor, 6-0. There was no further discussion.

At 12:36 p.m., K. Hoeksema called for a motion to reconvene the open meeting and to exit the closed Executive Session for Financial Audit Exit Conference. A motion was made by D. Salzwedel to exit the executive session; second by A. Bailey. K. Hoeksema stated that the Financial Audit Exit Conference 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; A. Bailey, yes; K. Hoeksema, yes; R. Jones, yes; C. Stroud, yes and D. Salzwedel, yes. All in favor, 6-0. There was no further discussion.

Executive Reports:

CEO:

General Update: T. Romero gave a brief update on the Lottery's current financial status (July thru October). Powerball sales are ahead \$2.6 million, Roadrunner-Cash is down \$318,000, Pick 3 is down \$61,000, Mega Million is up \$139,000, Hot Lotto is down \$351,000, Quicksters is at \$185,000 and Instant sales are behind \$875,000. Overall the lottery is \$1.1 million ahead, compared to sales last year. Powerball, \$2 sales have increased by 27%, while wagers have decreased 32%, compared to the \$1 price point sales.

T. Romero reported that the lottery has begun meeting with legislators, due to the recent issues with the Finance Authority and its financial audit. In addition, the lottery has completed two presentations to the Legislative Finance Committee and the Legislative Revenue Stabilization and Tax Revenue committee.

Scratcher Sales Strategy: T. Romero reported that staff is proceeding with changes to the prize structure of the \$1 and \$2 games. The Sales and Marketing division is working on promotions and distribution of the new games and anticipate that the new games will be in the field by January 2013.

FINANCE:

Financial Statements: S. Jaramillo presented a detailed review of the August 2012 financial statements. With the transfer made at the end of last month, the Lottery has returned over \$535.6 million to the Legislative Lottery Scholarship since inception of the lottery.

AUDIT:

Internal Audit Reports: M. Boland presented several Audit Reports for acceptance by the Board and presented the RFP for Drawing Agreed Upon Procedures Services at the Finance/Audit Committee for review.

M. Boland presented the 12-005 – Retailer Affairs Processes Compliance Audit Report – May 2012.

M. Boland reported that there were a number of findings in the application process, but the lottery and staff is following the policies and procedures outlined for the Retailer Affairs process and is in compliance. M. Boland submitted the report for acceptance by the board.

K. Hoeksema called for a motion to approve the Retailer Affairs Processes Compliance Audit report. R. Jones moved to accept the audit report; second by M. Koson. All in favor, 6-0.

M. Boland presented the 12-008 – Facebook Hot Summer Cash Sweepstakes Audit Report – Aug 2012.

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 August 2012 Facebook Hot Summer Cash Sweepstakes Audit report. C. Stroud moved to accept the audit report; second by D. Salzwedel. All in favor, 6-0.

M. Boland presented the 13-001 – Facebook Become Bejeweled Sweepstakes Audit Report – Sept. 2012.

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 September 2012 Facebook Become Bejeweled Sweepstakes Audit report. D. Salzwedel moved to accept the audit report; second by R. Jones. All in favor, 6-0.

BOARD CHAIR:

Announcements: K. Hoeksema announced that next Board of Directors meeting is scheduled for Thursday, December 13, 2012 at 11 a.m.

Committee Appointments and Committee Chair Appointments

K. Hoeksema requested two volunteers for the Legislative Committee. M. Koson and D. Salzwedel volunteered. K. Hoeksema, M. Koson and D. Salzwedel will serve on the Legislative Committee with T. Romero in preparation of the upcoming 2013 Legislative Session.

K. Hoeksema appointed R. Jones as chairman of the Finance and Audit Committee. R. Jones accepted the appointment. M. Rael appointed C. Stroud and D. Salzwedel as committee members.

K. Hoeksema appointed M. Koson as the Chair of the Operations and Security Committee. M. Koson accepted the appointment. K. Hoeksema appointed himself and A. Bailey as committee members.

K. Hoeksema will serve as the Ex-Officio committee member.

PUBLIC COMMENT: There was no public comment.

ADJOURNMENT: K. Hoeksema adjourned the meeting at 1:26 pm.