



Benefitting New Mexico's Future®

New Mexico Lottery Authority for Revenue Stabilization and Tax Policy Committee

August 20, 2013
Albuquerque, New Mexico

New Mexico Lottery Mission Statement

*Maximize revenues for education by conducting
a fair and honest lottery for the entertainment of the public.*

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About the Lotterypage 2

Lottery Accountabilitypage 5

Financial Informationpage 7

Sales Trends & Budgetspage 9

Industry Newspage 12

Board of Directorspage 13

Lottery Contact Listpage 14



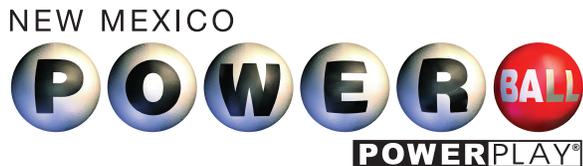
About the New Mexico Lottery

- By New Mexico State Statute, the mission of the New Mexico Lottery is to "Maximize revenues for education by conducting a fair and honest lottery for the entertainment of the public."
- 100% of net revenues benefit the Legislative Lottery Scholarship
- Sales began April 1996
- Established as a business enterprise
- Self-sustaining; receives no state or federal funding
- Volunteer board of seven governor-appointed & senate-confirmed directors
- CEO reports to the Board
- Subject to oversight by the Legislative Finance Committee
- The Legislative Lottery Scholarship program is administered by the Higher Education Department



New Mexico Lottery Product Mix

The New Mexico Lottery offers the following games for our players:



Powerball® and Mega Millions® are multi-state games. Both games are available in 43 states, Washington, D.C. and the U.S. Virgin Islands.



Hot Lotto® is also a multi-state game. It is played in 15 states and Washington, D.C.



Roadrunner Cash™ and Pick 3® are played ONLY in New Mexico.



The New Mexico Lottery offers a variety of Scratchers™ at different price points (\$1, \$2, \$3, \$5, \$10 and \$20). Quicksters® are a new way to play that combine the instant play of Scratchers with tickets that can be instantly printed by a Lottery terminal like a drawing game.

Where the Money Goes FY 2013

\$141.8 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2013



*Cost of Product includes: On-line vendor fees, advertising, ticket vendor fees, promotions, shipping and postage, responsible gaming, game membership and drawing game costs.

By statute, the Lottery is required to return a minimum of 50% of proceeds to players in the form of prizes and 30% to the Lottery Tuition Fund. The remaining funds are allocated to cover the cost of product as well as retailer commissions and administrative costs.



Benefitting New Mexico's Future®

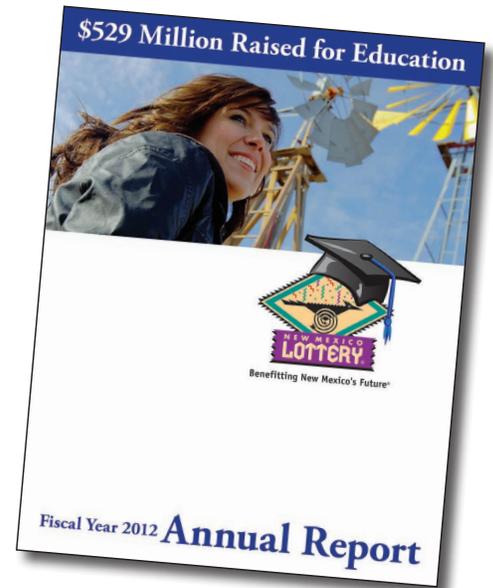
Lottery Accountability

Safeguards

- ◆ Board of Directors (Board)
 - Appointed by the Governor and approved by the Senate (includes a CPA and a law enforcement position)
 - Requires an extensive background check
 - Meets on a quarterly basis, at a minimum
 - Receives weekly sales and operational updates and monthly financials with performance to budget
 - Board agendas and minutes posted on Lottery website
 - Procurements of \$75,000 and above require Board approval

- ◆ Reports to State
 - Subject to LFC oversight
 - Revenues turned over monthly
 - No reserves or investment accounts
 - Quarterly and annual reports to the governor and LFC

- ◆ Finance Division
 - Division director and staff include Certified Public Accountants
 - Fiscal year original and revised budgets approved by Board
 - Monthly financial statements to CEO and Board
 - Monthly reports of transfers to the State of net revenue returns
 - Quarterly income statements provided to the Governor, the Legislative Finance Committee, the Higher Education Department and the Board
 - Annual financial audit of the Lottery's financial statements
 - Segregation of duties, access control and approval by appropriate employees, daily and monthly reconciliation of financial accounts, and documentation of procedures and policies



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Lottery Accountability continued

- ◆ Internal Auditor
 - Certified Public Accountant
 - Hired after extensive background checks
 - Accountable to Board
 - Conducts routine audits and special audits as requested by the Board or the CEO

- ◆ Lottery Security & Enforcement Division
 - Comprised of law enforcement officers
 - Executive VP of Security accountable to the Board
 - Responsible for ensuring the security, honesty, fairness and integrity of the operation and administration of the Lottery
 - Conducts extensive background checks on all prospective employees, Board members, retailers and vendors
 - Conducts internal and criminal investigations



Legislative Communications

- ◆ Quarterly Legislative newsletter
- ◆ Annual LFC updates of Lottery financials and the state of the Lottery



Benefitting New Mexico's Future®

FY 2014 Original Budget vs. FY 2013 Revised Budget vs. FY 2013 Original Budget



	FY 2014 ORIGINAL ANNUAL BUDGET*	FY 2013 REVISED ANNUAL BUDGET**	FY 2013 ORIGINAL ANNUAL BUDGET***
OPERATING REVENUES			
Instant ticket sales	\$ 72,000,000	\$ 70,000,000	\$ 71,100,000
Powerball sales	38,000,000	41,000,000	36,000,000
Mega Millions sales	8,000,000	7,700,000	12,000,000
Roadrunner Cash sales	6,800,000	6,800,000	8,000,000
Hot Lotto sales	5,500,000	5,600,000	5,000,000
Pick 3 sales	3,400,000	3,400,000	3,700,000
Quickster sales	1,000,000	800,000	2,500,000
Prize tickets	(3,000,000)	(2,500,000)	(3,000,000)
Spoiled, stolen, and promotional tickets	(287,000)	(197,000)	(287,000)
Retailer fees	11,000	21,000	11,000
Bad debts	(24,000)	(24,000)	(24,000)
Total operating revenues	131,400,000	132,600,000	135,000,000
NON-OPERATING REVENUES			
Interest income	24,000	23,500	18,000
Other income	-	500	-
Total non-operating revenues	24,000	24,000	18,000
GROSS REVENUES	131,424,000	132,624,000	135,018,000
GAME EXPENSES			
Prize expense	70,652,000	71,617,000	72,791,000
Retailer commissions	8,758,000	8,817,000	9,025,000
On-line vendor fees	2,112,000	2,129,000	2,170,000
Advertising	2,300,000	2,300,000	2,300,000
Ticket vendor fees	1,314,000	1,200,000	1,303,000
Promotions	376,000	549,000	441,000
Shipping and postage	471,000	453,000	420,000
Drawing game	124,000	117,000	119,000
Responsible gaming	88,000	88,000	88,000
Game membership	85,000	80,000	85,000
Total game expenses	86,280,000	87,350,000	88,742,000
OPERATING EXPENSES			
Salaries, wages and benefits	3,966,000	3,712,000	4,046,000
Leases and insurance	436,000	523,000	505,000
Utilities and maintenance	455,000	461,000	451,000
Depreciation expense	360,000	160,000	244,000
Professional fees	191,000	169,000	195,000
Other expenses	98,000	95,000	89,000
Materials and supplies	120,000	137,000	125,000
Travel	90,000	82,000	108,000
Total operating expenses	5,716,000	5,339,000	5,763,000
OPERATING INCOME	39,404,000	39,911,000	40,495,000
NET INCOME	\$39,428,000	\$ 39,935,000	\$ 40,513,000

* - FY 2014 Consolidated Original Annual Budget approved on May 2, 2013
 ** - FY 2013 Consolidated Revised Annual Budget approved on May 2, 2013
 *** - FY 2013 Consolidated Original Annual Budget approved on May 10, 2012

Consolidated Income Statement FY 2013

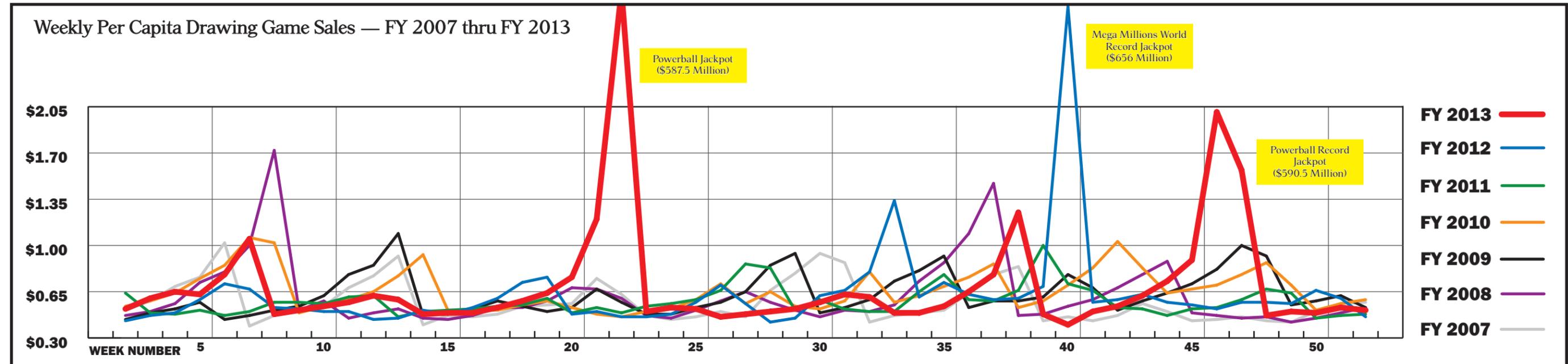
	UNAUDITED FY 2013 Period ended: 06/30/13	AUDITED FY 2012 Period ended: 06/30/12
REVENUES		
Instant ticket sales	\$ 72,397,663.00	\$ 71,632,710.00
Powerball sales	46,767,095.00	33,795,664.00
Mega Millions sales	8,088,972.00	14,330,230.00
Roadrunner Cash sales	6,784,566.00	7,520,021.00
Hot Lotto sales	5,996,195.00	5,438,475.00
Pick 3 sales	3,496,279.00	3,638,558.00
Quickster sales	867,111.00	453,448.00
Prize tickets	(2,479,354.00)	(2,890,810.00)
Spoiled, stolen and promotional tickets	(160,005.30)	(130,944.00)
Retailer fees	20,575.00	16,250.00
Bad Debts	(12,000.00)	(12,000.00)
	<u>141,767,096.70</u>	<u>133,791,602.00</u>
NON-OPERATING REVENUES		
Interest income	21,324.47	18,469.62
Other income	25,692.22	45,463.68
	<u>47,016.69</u>	<u>63,933.30</u>
	<u>141,814,113.39</u>	<u>133,855,535.30</u>
GAME EXPENSES		
Prize expense	77,068,557.60	72,027,308.31
Retailer commissions	9,153,204.14	8,696,851.17
On-line vendor fees	2,269,622.68	2,139,753.91
Advertising	2,263,220.58	2,277,891.80
Ticket vendor fees	1,158,028.46	1,177,707.32
Promotions	437,703.54	381,178.96
Shipping and postage	428,532.32	410,422.25
Responsible gaming	87,399.96	87,399.95
Game membership	67,034.13	65,502.28
Drawing game	116,081.40	116,531.56
	<u>93,049,384.81</u>	<u>87,380,547.51</u>
	<u>93,049,384.81</u>	<u>87,380,547.51</u>
OPERATING EXPENSES		
Salaries, wages and benefits	3,614,032.08	3,583,777.70
Leases and insurance	514,989.62	585,629.47
Utilities and maintenance	439,040.60	431,189.26
Depreciation and amortization	139,393.32	115,933.13
Professional fees	112,893.46	150,651.56
Materials and supplies	125,050.57	153,866.81
Travel	63,008.06	69,469.74
Other	71,639.50	55,726.64
	<u>5,080,047.21</u>	<u>5,146,244.31</u>
	<u>5,080,047.21</u>	<u>5,146,244.31</u>
	43,637,664.68	41,264,810.18
	<u>\$ 43,684,681.37</u>	<u>\$ 41,328,743.48</u>

Drawing Game Sales Trends

• As of June 30, 2013 preliminary, unaudited net drawing game sales for FY 2013 totaled \$71.9 million, up approximately \$6.8 million (+10.5%) from \$65.1 million in FY 2012. This sales upturn may be attributed to four Powerball® jackpot run-ups.

- FY 2013 preliminary, unaudited net sales compared to FY 2012:
 - ♦ Mega Millions® net sales are at \$8.1 million, down 43.3%
 - ♦ Powerball net sales are at \$46.7 million, up 38.4%
 - ♦ Hot Lotto® net sales are at \$5.9 million, up 9.3%

- ♦ Roadrunner Cash™ net sales are at \$6.8 million, down 9.9%
- ♦ Pick 3® net sales are at \$3.5 million, down 3.9%
- ♦ Quickster® net sales are \$865,000, up \$412,000



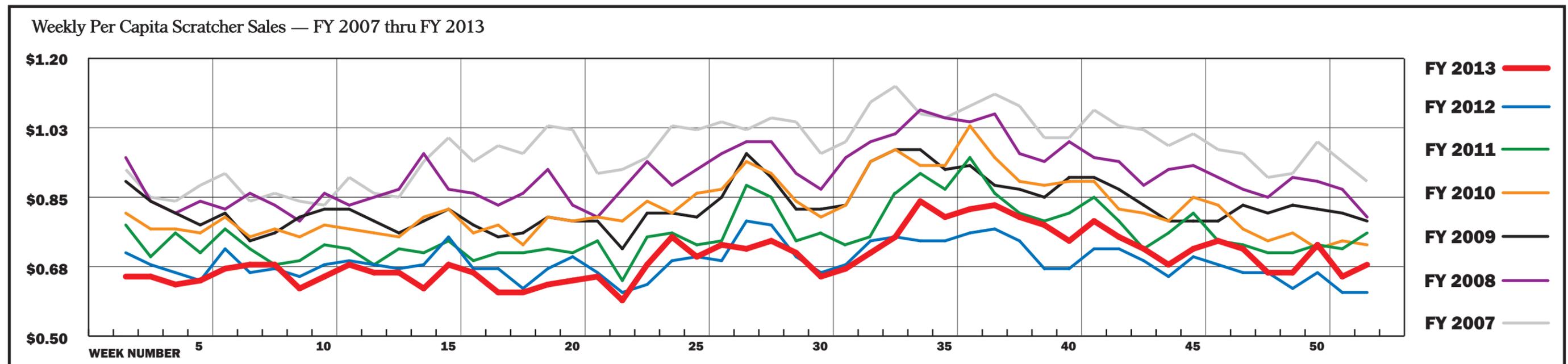
The first and last week of each Fiscal Year are partial weeks and are therefore not shown. Chart shows gross sales. New Mexico figures are based on a population of 2 million.
NOTE: Net sales are equal to sales for each game less applicable prize, spoiled, stolen and promotional tickets.

Scratcher™ Sales Trends

Net Scratcher sales have dropped by more than \$21.5 million since hitting a record \$91.37 million in FY 2007 — a 23.5% decrease.

- ♦ FY 2008 net sales totaled \$86.6 million, down \$4.8 million
- ♦ FY 2009 net sales totaled \$80.6 million, down \$6 million
- ♦ FY 2010 net sales totaled \$78.4 million, down \$2.2 million
- ♦ FY 2011 net sales totaled \$75.8 million, down \$2.6 million

- ♦ FY 2012 net sales totaled \$68.74 million, down \$7 million
- ♦ FY 2013 net sales (preliminary, unaudited) totaled \$69.89 million, up \$1.15 million



The first and last week of each Fiscal Year are partial weeks and are therefore not shown. Chart shows gross sales. New Mexico figures are based on a population of 2 million.
NOTE: Net sales are equal to sales less applicable prize, spoiled, stolen and promotional tickets.



New Mexico Lottery Authority
Actual Financial Results — FY 2006 – FY 2013

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
DESCRIPTION	AUDITED ACTUAL FY 2006	AUDITED ACTUAL FY 2007	AUDITED ACTUAL FY 2008	AUDITED ACTUAL FY 2009	AUDITED ACTUAL FY 2010	AUDITED ACTUAL FY 2011	AUDITED ACTUAL FY 2012	UNAUDITED ACTUAL FY 2013
Instant ticket sales	\$ 89,367,670	\$ 95,729,489	\$ 89,925,612	\$ 82,178,010	\$ 81,231,127	\$ 78,857,176	\$ 71,632,710	\$ 72,397,663
Powerball sales	54,113,990	42,625,468	44,504,959	43,983,020	41,177,600	29,113,287	33,795,664	46,767,095
Mega Millions sales	—	—	—	—	3,846,692	10,665,551	14,330,230	8,088,972
Roadrunner Cash sales	8,347,282	7,934,309	6,552,774	6,451,302	7,654,480	8,754,477	7,520,021	6,784,566
Hot Lotto sales	—	3,476,503	6,004,241	8,424,318	9,138,601	7,571,584	5,438,475	5,996,195
Pick 3 sales	2,009,560	2,058,844	2,327,283	2,897,012	3,408,240	3,731,680	3,638,558	3,496,279
Quickster sales	—	—	—	—	—	—	453,448	867,111
4 This Way! sales	769,985	653,662	215,546	—	—	—	—	—
Raffle game sales	—	—	1,001,400	—	—	—	—	—
Prize tickets	(4,533,193)	(4,335,817)	(3,333,227)	(1,588,669)	(2,798,905)	(3,086,281)	(2,890,810)	(2,479,354)
Spoiled, stolen, and promotional tickets	(80,074)	(107,995)	(92,911)	(68,964)	(71,413)	(66,440)	(130,944)	(160,005)
Retailer fees	47,180	45,791	46,782	40,188	32,350	12,674	16,250	20,575
Bad debts	—	—	—	—	(80,000)	(12,000)	(12,000)	(12,000)
TOTAL OPERATING REVENUES	150,042,400	148,080,254	147,152,459	142,316,217	143,538,772	135,541,708	133,791,602	141,767,097
NON-OPERATING REVENUES	534,291	712,808	654,875	248,348	67,035	34,953	63,933	47,016
GROSS REVENUES	150,576,691	148,793,062	147,807,334	142,564,565	143,605,807	135,576,661	133,855,535	141,814,113
GAME EXPENSES	108,208,629	108,181,098	101,724,644	96,356,519	94,986,352	89,294,282	87,380,548	93,049,385
OPERATING EXPENSES	5,512,506	5,781,828	5,272,119	5,393,674	5,010,629	4,975,089	5,146,244	5,080,047
NET INCOME	\$ 36,855,556	\$ 34,830,136	\$ 40,810,571	\$ 40,814,372	\$ 43,608,826	\$ 41,307,290	\$ 41,328,743	\$ 43,684,681
GROSS REVENUE PERCENTAGE RETURN	24.48%	23.41%	27.61%	28.63%	30.37%	30.47%	30.88%	30.80%

Actual Financial Results

FY 2014 – FY 2016 Budgets

New Mexico Lottery Authority Budgets FY 2014 through FY 2016

	FY 2014	FY 2015	FY 2016
DESCRIPTION	FY 2014 CONSOLIDATED ORIGINAL ANNUAL BUDGET (Board Approved May 2013)	FY 2015 ANNUAL BUDGET FORECAST (Projected Sept. 2012)	FY 2016 ANNUAL BUDGET FORECAST (Projected Sept. 2012)
Instant ticket sales	\$ 72,000,000	\$ 69,100,000	\$ 69,100,000
Powerball sales	38,000,000	36,000,000	36,000,000
Mega Millions sales	8,000,000	12,000,000	12,000,000
Roadrunner Cash sales	6,800,000	8,000,000	8,000,000
Hot Lotto sales	5,500,000	5,000,000	5,000,000
Pick 3 sales	3,400,000	3,700,000	3,700,000
Quickster sales	1,000,000	2,500,000	2,500,000
Prize tickets	(3,000,000)	(2,900,000)	(2,900,000)
Spoiled, stolen, and promotional tickets	(287,000)	(287,000)	(287,000)
Retailer fees	11,000	11,000	11,000
Bad debts	(24,000)	(24,000)	(24,000)
TOTAL OPERATING REVENUES	131,400,000	133,100,000	133,100,000
NON-OPERATING REVENUES	24,000	18,000	18,000
GROSS REVENUES	131,424,000	133,118,000	133,118,000
GAME EXPENSES	86,280,000	87,512,000	87,512,000
OPERATING EXPENSES	5,716,000	5,670,000	5,670,000
NET INCOME	\$ 39,428,000	\$ 39,936,000	\$ 39,936,000
GROSS REVENUE PERCENTAGE RETURN	30.00%	30.00%	30.00%



Re-launches October 19

- ◆ White ball numbers increase from 56 to 75, this should result in bigger jackpots
- ◆ Mega Ball numbers decrease from 46 to 15, giving players better odds of winning a prize
- ◆ New 5X multiplier for Megaplier purchases
- ◆ Starting jackpot increases from \$12 million to \$15 million

NEW MEXICO



Effective January 2014

- ◆ Power Play will be multiplied by 2X, 3X, 4X or 5X instead of a set multiplier



New Appointment

New Mexico Lottery CEO Tom Romero has been elected chairman of the Powerball® Group by the 33 lotteries belonging to the Multi-State Lottery Association (MUSL). The non-profit MUSL organization operates Powerball and other drawing games on behalf of participating lotteries. Romero has also been elected as MUSL Vice Chair.



During a one-year term that begins July 1, Romero will oversee management of the Powerball game, including its \$2 million annual budget and its rules and policies.

In Fiscal Year 2013, Romero was elected as the Powerball Group's Vice Chair. He also served as MUSL secretary and as a member of the association's security and integrity committee.

Board of Directors



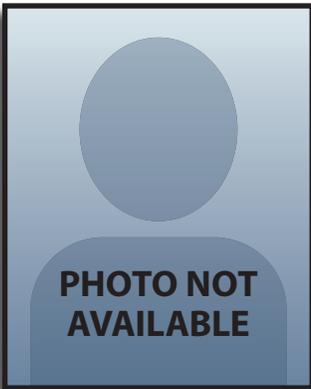
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Representative



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Business & Professional
Representative



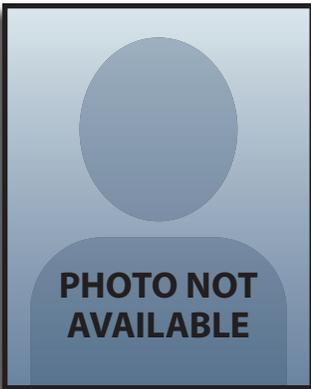
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Certified Public Accountant



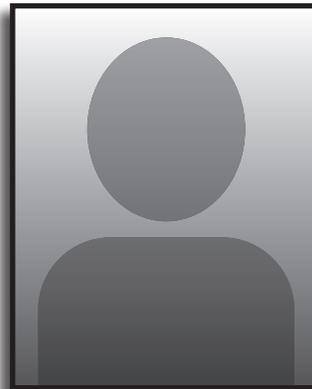
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Attorney



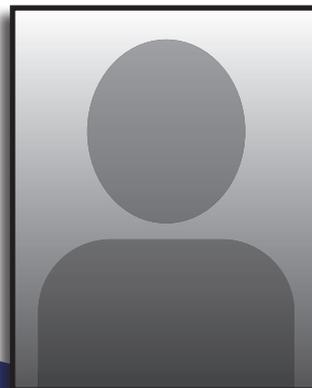
Salvatore Baragiola
Member
505.490.1266

Law Enforcement



Vacant
Member

Business & Professional
Representative



Vacant
Member

Business & Professional
Representative



Benefitting New Mexico's Future®

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For information about Lottery games, the Legislative Lottery Scholarship, annual reports, RFPs, and Board of Director meetings visit nmlottery.com.

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Congratulations Doug & Roberta Barnard!
They won the \$7.6 Million Hot Lotto jackpot!
[click here for more information](#)

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