

**Regular Meeting of Board of Directors  
New Mexico Lottery Authority  
December 15, 2021**

**MINUTES**

**Call to Order:** Board Chair Reta Jones called the meeting to order at 12:12 p.m. and asked for a roll call. Present and constituting a quorum were: Nina Thayer, Reta Jones, Leo Romero, Paul Guerin, Sal Baragiola, and David Keylon (virtual/phone). O. Umi absent.

Present from NMLA were David Barden, Carolyn Cabell, Sylvia Jaramillo, Michael Boland, Kevin Duda, Darren Geffre, Wendy Ahlm, and Wilma Atencio. Also attending in person and virtually were Ron Miguel with Scientific Games, Mary Stanford and Steve Beck with INTRALOT, and Matthew Bone and Sheila Quintana with CliftonLarsonAllen.

**Approve Proposed Agenda:** R. Jones entertained a motion. N. Thayer moved to approve the proposed agenda; second by L. Romero. All ayes, no nays. Carried; 6-0.

**Approve Minutes of August 18, 2021, Board of Directors Meeting:** No changes or corrections were made. R. Jones entertained a motion. L. Romero moved to approve the August 18, 2021, meeting minutes; second by N. Thayer. All ayes, no nays. Carried; 6-0.

**Public Comment:** None.

**REPORTS:**

**CliftonLarsonAllen (CLA) – FY 2021 Financial Audit:** D. Barden reported that CLA presented the FY 2021 Financial Audit exit conference to the Finance and Audit Committee in October. D. Barden introduced Matthew Bone, Engagement Principal to present the FY 2021 Financial Audit Report.

M. Bone reported the New Mexico Office of the State Auditor released the audit report on November 5. The report included a clean unmodified opinion and no audit findings. M. Bone stated that a clean opinion is the highest level that an organization can receive. There were no difficulties encountered in performing the audit or working with management during and after the audit process. The Lottery continues to be efficient and consistent with the overall controls set in place.

R. Jones asked how many years the Lottery has had no adjustments. S. Jaramillo responded that there have not been any adjustments during the twenty-one years she has worked with the annual financial audit.

R. Jones asked if the Lottery is insured with the State or independently. M. Bone reported that CLA does not look at insurance coverage, but the IT department is one of the areas that is thoroughly reviewed to ensure there are no security risks. D. Barden reported that the Lottery is independent and currently looking at the insurance coverage across the board, especially in cyber security.

R. Jones entertained a motion. P. Guerin made a motion to accept the FY 2021 Financial Audit Report as presented; second by L. Romero. All ayes, no nays. Carried; 6-0.

R. Jones asked if this is the last year for CLA's participation in the audit. M. Bone reported that this concludes the six years CLA has conducted the audit for the Lottery. The Lottery will go out to bid. The State Auditor's office has changed the rotation schedule, allowing CLA two additional years.

**Finance and Audit Committee Update:** D. Barden requested that the Finance and Audit Committee meeting minutes be the next items up for review and approval.

R. Jones stated that during her tenure with the Board, the Board did not accept the committee meeting minutes. R. Jones asked if there is a requirement to approve the committee meeting minutes. D. Barden responded that this has been the practice since he has been at the Lottery, but that committee meeting minutes can be provided as information purposes only moving forward. R. Jones stated that committee meeting minutes can be included in the Board packet for information and asked the full board if this is sufficient. S. Baragiola stated that the committee chairs can review the minutes for accuracy and accept them as information only during the committee updates at the Board meeting.

R. Jones asked P. Guerin, Finance and Audit Committee Chair, if he reviewed the minutes. P. Guerin stated he reviewed both sets of minutes and they accurately reflect what occurred in the meetings.

The Board accepted the Finance and Audit Committee meeting minutes from August 11 and October 13, as information only.

M. Bone and S. Quintana with CLA left the meeting.

**Financial Statements:** S. Jaramillo provided a memorandum with highlights from the October 2021 financial statements. \$3.2 million was transferred to the Lottery Tuition Fund, making the 2022 fiscal year to date transfers \$13.9 million.

R. Jones asked S. Jaramillo what the difference in net instant ticket sales was from 2019 to 2021. S. Jaramillo stated she did not have those figures at the moment but would provide them after the meeting.

D. Barden reported that in FY 2019, instant sales were \$74.9 million and in FY 2021 sales were \$95.4 million. D. Barden reported that instant sales are down 7.32% from last year. Powerball and Mega Millions sales are up. The Lottery will have exciting new games in the new year that should keep the momentum going. D. Barden noted that sales tend to be down at this time of year.

R. Jones stated that the sales trends are settling back down to what they were in 2019. D. Barden agreed.

**Security and Operations Committee Update:** S. Baragiola reported that the Security and Operations Committee meeting minutes from August 18 accurately reflect what occurred at that meeting.

S. Baragiola reported that today's Committee meeting was informative. The Security Division provided an overview on background investigations, promotional drawings, theft of Scratcher tickets and inputting the information into the system so that they can be tracked, and lockdown procedures with draw games. The IT department gave an overview of their cyber security plan. They use a variety of risk mitigation strategies and coordinate scheduled monitoring and assessment using a security company called RiskSense.

D. Barden reported that the Lottery's legal counsel provided an opinion on Jackpocket and stated there are no issues with Jackpocket becoming a retailer. At this time, Jackpocket has not proceeded further other than their initial interest in operating in New Mexico.

## CEO

**Scientific Games – State of the Industry Presentation:** R. Miguel, Regional Vice President of Sales, gave a State of the Industry FY21 year in review presentation. The presentation covered nationwide and regional sales trends for instant tickets, the impact from COVID-19, and how the Lottery compares to other states.

COVID-19 was devastating to some industries, but not for the gaming/lottery industry. The trend is settling back to pre-COVID numbers. The growth rate in New Mexico has been minimal and one of the reasons is the 30% mandate. Prize payouts in New Mexico have decreased while the trend nationwide has been increasing prizes for players. Unless changes are made, the New Mexico growth rate will remain flat. S. Baragiola asked whether there a way to normalize those numbers. R. Miguel reported that balancing between the draw and instant games is key when there is not a way to increase instant payouts.

R. Jones requested that the presentation be provided to Board members for review. P. Guerin stated that vendors keep advising the same issues, that sales cannot grow unless changes are made to the mandate to allow for increases in prize payout. R. Jones reiterated that the Lottery is limited in what it can do.

**Advertising and Marketing Update:** W. Ahlm, Director of Advertising and Marketing, provided a presentation of advertising and marketing initiatives for 2021. Several initiatives were created in honor of the Lottery's twenty-fifth anniversary on April 27, 2021. The rebranded draw games Pick 3 Plus and Pick 4 Plus include new play options and were supported with coupon promotions. The Lottery launched the WILLY WONKA GOLDEN TICKET™ Scratcher with a top prize of \$100,000 and a second-chance drawing for a trip to Las Vegas. Twenty-three New Mexico stations participated in radio promotions for the GOLDEN TICKET game. The Lottery updated the website and introduced a new second-chance platform called the Promo Zone where players enter tickets for Scratcher promotions.

In August, Powerball added a Monday night drawing in hopes to build bigger jackpots and more winners. In October, the Lottery launched holiday Scratchers with New Mexico themes. W. Ahlm reported that the Lottery is working on a Scratcher and promotion for HGTV's My Lottery Dream Home, based on the television show that follows lottery players searching for new homes. The Scratcher will feature prizes up to \$100,000 and a live-streamed second-chance event for one lucky player to win up to \$1 million. Finally, the Lottery will bring back the \$20 Scratcher price point with a one-time game called Super Cash Spectacular.

Board members thanked the CEO, management, and staff for their continued efforts and success in producing quality and exciting marketing and advertising initiatives and their cost saving efforts.

**CEO Update:** D. Barden provided a presentation on draw and instant games, prize payouts, and where the Lottery dollar is spent. As mentioned in previous meetings, we are not getting the jackpots we used to. It takes more draws to bring in higher jackpots and sales. MUSL added an additional drawing night for Powerball so we are hoping this will garner interest from our players.

D. Barden reported on prize payouts and how New Mexico lags behind our neighboring states in prizes for players. Players are aware of the higher prize payouts with a higher chance of having a winning experience, so generally customers will go where the money is. We are losing sales to neighboring states. D. Barden reported that we lowered Scratcher prize payouts to 54% across the board to meet our statutory obligation. In honor of our twenty-fifth anniversary, the Lottery will be launching a \$20 Scratcher and a licensed property game called HGTV's My Lottery Dream Home, inspired by a suggestion from the Board Chair.

D. Barden reported that the Lottery will be going out to RFP for Financial Audit Services in the new year and the next Board of Directors meeting is slated for late March.

### **Board Chair**

**Board Elections:** R. Jones reported that S. Baragiola had approached the Chair with a motion for Board officer elections. R. Jones asked if anyone else had a motion or request for changes. No other motions or request was made/offered.

S. Baragiola made a motion that that Board continue with the current slate of officers for continuity; second by L. Romero. R. Jones asked if there were any discussions or request for changes. Hearing none, voting ensued. All ayes, no nays; Carried, 6-0.

R. Jones – Chair

S. Baragiola – Vice Chair

P. Guerin – Secretary/Treasurer

L. Romero, N. Thayer, D. Keylon, and O. Umi will remain as Members.

L. Romero left meeting at 2:03 p.m.

R. Jones requested that any member wishing to make changes to Committee assignments contact her.

**Other:** None.

**Other Items:** None.

**Adjournment:** R. Jones entertained a motion to adjourn. N. Thayer made a motion to adjourn the meeting; second by P. Guerin. All ayes, no nays. Carried; 5-0. The meeting adjourned at 2:09 p.m.

*Sal Baragiola* <sup>by</sup> *Director*

*Paul Guerin*

R. Jones, Chairman

P. Guerin, Secretary/Treasurer

Date: 3/21/22

Date: 3/23/22